

LIBRARY

COURT, U. S.

IN THE
Supreme Court of the United States

OCTOBER TERM, 1964

No. 20

WALTER C. BRULOTTE and CECELIA BRULOTTE, his wife
Petitioner

and

RAYMOND CHARVET and BLANCHE CHARVET, his wife,

v.

THYS COMPANY, *Respondent*

**PETITION FOR A WRIT OF CERTIORARI TO THE
SUPREME COURT OF THE STATE OF
WASHINGTON**

EDWARD S. IRONS
1000 Connecticut Avenue, N. W.
Washington 36, D. C.
Attorney for Petitioner

Of Counsel:

CHARLES C. COUNTRYMAN
VELIKANJE & MOORE
Suite 4 - Yakima Legal Center
303 East "D" Street
Yakima, Washington

IRONS, BIRCH, SWINDLER & McKIE
1000 Connecticut Avenue, N. W.
Washington 36, D. C.

INDEX

	Page
Citations to Opinions Below	1
Jurisdiction	2
Questions Presented	2
Statute Involved	2
Statement	3
A. The Federal Questions and How They Arose ..	3
B. The Decision Below	3
Reasons for Granting the Writ	7
A. The Conflict Concerning the Legality of Post- Expiration Royalty Contracts	10
B. The Conflict With the Decisions of This Court in the "Tying" Cases	18
Conclusion	24
Appendix A	1a
Memorandum Opinion	1a
Washington Supreme Court Opinion	10a
Remittitur	20a
Stipulation and Order for Consolidation	21a
Stipulation and Motion for Consolidation of Cases on Appeal	22a
Order Consolidating Cases on Appeal	23a
Excerpts From Transcript of Proceedings	24a
Findings of Fact and Conclusions of Law	29a
Judgment	35a
Judgment	37a
Appendix B	39a
Statutory Provisions	39a
Appendix C	41a
Charvet Agreement	41a
Defendants Exhibit "A"—Brulotte Agreement	50a

CASES CITED

CASES:	Page
Adams v. Dyer, 129 Cal. App. 2d 160, 276 P. 2d 186 ..	12
American Securit Co. v. Shatterproof Glass Corp., 268 F. 2d 769	8, 9 10, 14, 16, 17, 18
April Productions v. G. Schmirmmer, Inc., 308 N.Y. 366, 126 N.E. 2d 283	16
Ar-Tik Systems, Inc. v. Dairy Queen, Inc., 302 F. 2d 496	8, 9, 10, 11, 14, 15, 16, 18
Automatic Radio Manufacturing Co. v. Hazeltine, 339 U.S. 827, 70 S. Ct. 894, 94 L. Ed. 1312	21, 22
Baker-Cammack Hosiery Mills v. Davis Co., 181 F. 2d 550	16, 17
Bettis Rubber Co. v. Kleaner, 104 Cal. App. 2d 821, 233 P. 2d 82	12
Carbice Corp. of America v. American Patents Development Corp., 283 U.S. 27, 75 L. Ed. 819	4
Dwight & Lloyd Sintering Co. v. American Ore Reclamation Co., 44 F. Supp. 396	12
E. R. Squibh & Sons v. Chemical Foundation Inc., 93 F. 2d 475	9, 11, 12, 15
Ethyl Gasoline Corp. v. United States, 309 U.S. 436, 459, 60 S. Ct. 618, 84 L. Ed. 852, 862	3
H-P-M Development Corp. v. Watson-Stillman Co., 71 F. Supp. 906	11
Lamb v. Railway Express Agency, 51 Wn. 2d 616 ..	11
Leitch Manufacturing Co. v. Barber Co. Inc., 302 U.S. 458, 82 L. Ed. 371	4
Mercoid Corp. v. Mid-Continent Invest. Co., 320 U.S. 661, 665, 64 S. Ct. 268, 88 L. Ed. 376, 380	3, 18, 19
Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488, 491; 62 S. Ct. 402, 86 L. Ed 363, 365	3
Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502, 516; 37 S. Ct. 416, 61 L. Ed. 871 ..	17
Pressed Steel Car Co. v. Union Pac. R. Co., 270 F. 518	9
Prestole Corp. v. Tinnerman Products Inc., 271 F. 2d 146	15, 16, 17, 18, 19
Scapa Dryer, Inc. v. Abney Mills, 269 F. 2d 6	15
Scott Paper Co. v. Marcalus, 326 U.S. 249, 66 S. Ct. 101, 90 L. Ed 47	3, 8, 12, 14, 15, 17, 18, 20
Six Star Lubricants Co. v. Morehouse, 101 Colo. 490	9, 11

Index Continued

iii

	Page
Spraul v. Pratt & Whitney Co., 108 F. 963	9
Starke v. Manufacturers Nat. Bank of Detroit, 174 F. Supp. 882	11
Tate v. Lewis, 127 F. Supp. 105	11
Technograph Printed Electronics, Inc. v. The Bendix Corp., 218 F. Supp. 1	9, 10, 15
Tinnerman Products, Inc. v. George K. Garrett Co., 185 F. Supp. 151	19
United States v. Loews Inc., 371 U.S. 38, 83 S. Ct. 97, 9 L. Ed. 2d 11	3, 10, 18, 20, 23
United States v. Paramount Pictures, Inc., 334 U.S. 131, 2 L. Ed. 1260	3, 10, 21, 24
Warner-Lambert Pharm. Co. v. John J. Reynolds Inc., 178 F. Supp. 655	16



IN THE
Supreme Court of the United States

OCTOBER TERM, 1963

No. ,

WALTER C. BRULOTTE and CECELIA BRULOTTE, his wife
and

RAYMOND CHARVET and BLANCHE CHARVET, his wife,
Petitioner

v.

THYS COMPANY, *Respondent*

**PETITION FOR A WRIT OF CERTIORARI TO THE
SUPREME COURT OF THE STATE OF
WASHINGTON**

Petitioners pray that a writ of certiorari issue to review the judgment of the Supreme Court of the State of Washington, entered in the above entitled case on October 4, 1963.

CITATIONS TO OPINIONS BELOW

The memorandum opinion of the Superior Court of the State of Washington in and for Yakima County (App. A, *infra*, p. 1a) is unreported. The opinion of the Supreme Court of the State of Washington (Department One) (App. A, *infra*, p. 10a) is reported at 162 Wash. 281, 382 P. 2d 271, 138 U.S.P. 411 (1963).

JURISDICTION

The final judgment of the Supreme Court of the State of Washington (Department One) was entered on October 4, 1963 (App. A, *infra*, p. 20a). A petition for rehearing *en banc* was denied October 4, 1963 (App. A, *infra*, p. 20a). The jurisdiction of this Court is invoked under 28 U.S.C. Section 1257(3).

QUESTIONS PRESENTED

1. Whether it is a misuse to include in a license agreement a provision which perpetuates the monopoly of a licensed patent by a requirement that royalties be paid for the use of the invention after the patent has expired and the invention had been dedicated to the public.

2. Whether it is a misuse or an antitrust violation to include in a license agreement a provision which extends the monopoly of a patent to unpatented subject matter by a provision which requires the payment of post-expiration royalties.

3. Whether it is a misuse or an antitrust violation to condition the grant of a license under one patent or group of patents on the acceptance of a license under a group of additional patents and pending applications.

STATUTE INVOLVED

The statutory provisions involved are 35 U.S.C. 154 and 15 U.S.C. §§ 1 and 2, (App. B, *infra*, p. 39a). The case also involves the public policy of the patent laws of the United States as delineated by this Court.

STATEMENT

The cases which are the subject of this petition are actions for the collection of royalties claimed due and payable under certain "sale and licensing contracts". By stipulation between the parties, the cases were consolidated for trial (App. A, *infra*, p. 21a) and for the purposes of appeal to the Supreme Court of the State of Washington (App. A, *infra*, p. 22a).

A. The Federal Questions and How They Arose

In *Scott Paper Company v. Marcalus*, 326 U.S. 249, 66 S. Ct. 101, 90 L. Ed. 47 (1945) this Court at 326 U.S. p. 255 said:

"The nature and extent of the legal consequences of the expiration of a patent are federal questions the answers to which are to be derived from the patent laws and the policies they adopt"

Questions 1 and 2, on their face, are concerned with "the legal consequences of the expiration of a patent" and hence "are federal questions the answers to which are to be derived from the patent laws. . . ."

Questions 2 and 3, on their face, involve questions arising under the federal law of patent misuse and under the federal antitrust laws as defined by this Court in such cases as *United States v. Loew's, Inc.*, (1963) 371 U.S. 38, 83 S. Ct. 97, 9 L. Ed. 2d 11; *United States v. Paramount Pictures, Inc.*, (1948) 334 U.S. 131, 92 L. Ed. 1260; *Ethyl Gasoline Corporation v. United States*, (1940) 309 U.S. 436, 459, 60 S. Ct. 618, 84 L. Ed. 852, 862; *Morton Salt Co. v. G. S. Suppiger Co.*, (1942) 314 U.S. 488, 491, 62 S. Ct. 402, 86 L. Ed. 363, 365; *Mercoird Corp. v. Mid-Continent Invest. Co.*, (1944) 320 U.S. 661, 665, 64 S. Ct. 268, 88 L. Ed. 376,

380; *Carbice Corporation of America v. American Patents Development Corp.*, (1944) 283 U.S. 27, 75 L. Ed. 819 and *Leitch Manufacturing Co. v. Barber Co., Inc.*, (1938) 302 U.S. 458, 82 L. Ed. 371.

The federal questions presented by this petition were timely raised in the trial court. The misuse issues were pleaded as affirmative defenses in the Answers of respondents. The antitrust issue was raised as an affirmative defense by amendment to respondents' Answers at the trial (App. A, *infra*, p. 3a).

The trial court concluded as a matter of law:¹

"1. That under the law and the evidence there is no merit in any of the defendants' affirmative defenses herein . . ." (App. A, *infra*, p. 33a).

In its opinion affirming the trial court, the Supreme Court of the State of Washington (Department One) stated:

" . . . The trial court awarded judgment to the plaintiff for accrued and unpaid royalties, finding that such royalties were due and owing and that none of the affirmative defenses alleged by the defendants had been established.

"Mainly, the defenses urged by the defendants on appeal relate to the validity of the licensing contracts. It is contended that the contracts were illegal because (1) they placed restrictions on the subsequent free use of the patents after they were sold, (2) they conditioned the grant of a license on some patents on acceptance of a license on a larger group of patents, (3) they licensed the use of patents beyond the 17-year period of mo-

¹ The Findings of Fact and Conclusions of Law entered by the trial court are reprinted in App. A, *infra*, p. 29a. The Judgments of such court are reprinted in App. A, *infra*, p. 35a.

nopoly granted by the sovereign, and (4) they violated the antitrust laws of the United States (App. A, *infra*, p. 19a).

* * * * *

"The trial court did not err when it held that none of the affirmative defenses had been established. The judgment is therefore affirmed." (App. A, *infra*, p. 19a).

The opinion of the Supreme Court "became the final judgment" of that court on October 4, 1963 (App. A, *infra*, p. 20a).

B. The Decision Below

This case strikingly demonstrates the evils of patent misuse and antitrust violation consequent from the contractual extension of any part of a patent monopoly to unpatented materials—a practice which this court repeatedly has condemned in whatever guise it appeared.

Petitioners are individual hop farmers of limited means. They "purchased" used hop picking machines for a price of about \$3,100 each. The "sales and license" contracts in suit are three party agreements between petitioners, respondent and the prior machine owners.² The prior owners were bound by "two party" contracts with respondent analogous to those here in suit. The trial court stated:

"It is further agreed that the form contracts used covered portable hop-picking machines and that the contracts were uniform with other contracts used whether they were three-party contracts or two-party contracts. The contracts purport to pass title to the machines to the defend-

² The Charvet contract is reprinted in App. C, *infra*, p. 41a. The Brulotte contract is reprinted in App. C, *infra*, p. 50a.

ants but provide that they *shall not* be used *except under licenses* specified in the contracts which also provide for payment of royalties. See sections 6, 7 and 8 of contracts (Exhibits 1 and 3)." (App. A, *infra*, p. 2a).

The statement of the trial court is obviously correct. The contracts in suit provide that the purchase of the hop-picking machines is "expressly . . . without the right to use said machines." (Par. 6, App. C, *infra*, p. 52a). The contracts provide "that in order to use said machines" petitioners "must secure" from respondent "a license" under 12 listed patents and various unidentified pending patent applications. The mandatory package license is included as a part of the contracts in suit. (Par. 6, App. C, *infra*, p. 3a).^{43a}

The contracts were for a term certain. They "could only be cancelled at the election of the plaintiff [respondent] in the event of default or [sic] payment of royalties."⁴⁴ Royalties, including an annual minimum royalty of \$500.00, were required to be paid throughout the term of the agreement.

⁴⁵ The contract of petitioner Brulotte was for a term which began on the 10th day of August, 1948 until the "completion of the 1958 harvest." (App. C, *infra*, p. 50a). The contract of petitioner Charvet was for a term which began on January 31, 1951 until "the completion of the 1960 harvest." (App. C, *infra*, p. 41a).

⁴⁶ The quotation is from the opinion of the Supreme Court of Washington (App. A, *infra*, p. 18a). The Court further quoted, with approval, the following statement from the trial court's opinion:

"The contract is for a definite term and I am convinced from the reading of it that the parties intended that it run for that term. If defendants' contentions are meritorious then the contract would be cancellable at the will of the defendants. As stated, I am sure, that was not what was intended." (App. A, *infra*, p. 18a).

"irrespective of the date of expiration of any of the Letters Patent"

which were licensed, Par. 7, App. C, *infra*, p. 44a. All of the licensed *patents* in fact *expired*—and at least two were *invalidated*— *during the contract term*. At least five patents included in the mandatory package of 12 were *never* incorporated into the petitioners' hop-picking machines.

The trial court found as a fact:

"7. . . It is admitted in the pleadings that seven and only seven of the twelve of the plaintiff's patents listed by number in said contracts were incorporated into the defendants' hop-picking machines, and all of those patents expired on or before 1957. * * * Three patents were declared invalid by lower federal courts, namely Exhibit 6, a method patent, Exhibit 15 which was never incorporated into defendants' portable hop picking machines, and Exhibit 23 which was not listed by number in these contracts and was subsequently issued and was a patent pending as to Brulotte but not as to Charvet." * * * (App. A, *infra*, p. 32a).

The contracts in suit are *prima facie* invalid. The court below ignored the controlling decisions of this Court. It refused to be guided by the apposite recent decisions of the federal circuit courts of appeal. It affirmed the trial court judgment against each of the petitioners and their wives for past due royalties plus attorney's fees in the amount of \$1,500.

REASONS FOR GRANTING THE WRIT

The decisions of the lower courts, both federal and state, are in hopeless conflict on the issues presented by this petition. The questions raised are of funda-

mental significance to the administration of the patent and antitrust laws. They arise in the preponderance of cases involving patent license contracts. The importance of the questions and the widespread confusion concerning the applicable law is demonstrated by the numerous conflicting opinions cited in the ensuing portions of this petition:

The petition should be granted to resolve

- (a) a conflict in principle between the decision below which sustained post-expiration royalty contracts and the decision of this Court in *Scott Paper Co. v. Marcalus*, 326 U.S. 249, 66 S. Ct. 101, 90 L. Ed. 47 (1945) which held that "the patentee of an expired patent . . . is foreclosed from recapturing any part of the former patent monopoly.",
- (b) a conflict in *decision* between
 - (1) the holding below that a patent license agreement requiring post-expiration royalty payments is enforceable and
 - (2) the *contrary decisions* of the Third Circuit in *Ar-Tik Systems, Inc. v. Dairy Queen, Inc.*, 302 F. 2d 496 (3rd Cir. 1962)⁵ and *American Securit Co. v. Shatterproof Glass Corp.*, 268 F. 2d 769 (3rd Cir. 1959),

⁵ The opinion below recognized that the decision in *Ar-Tik Systems* is "contrary". (App. A, *infra*, p. 17a)

The Third Circuit in *Ar-Tik Systems* cited *Scott Paper* as authority for its holding that post-expiration royalty provisions are unenforceable.

(c) a conflict in principle between

- (1) the authorities on which the post-expiration royalty contracts were sustained below including, particularly, the decision of the *Second Circuit* in *E. R. Squibb & Sons v. Chemical Foundation, Inc.*, 93 F. 2d 475 (2 Cir. 1937)⁶ and
- (2) the decisions
 - (i) of the *Third Circuit* in *Ar-Tik Systems, Inc. and American Security Co., supra*,
 - (ii) of the *District Court* for the *District of Maryland* in *Technograph Printed Electronics, Inc. v. The Bendix Corp.*, 218 F. Supp. 1 (1963).⁷

⁶ The decision in *Squibb* cites as precedent the earlier decisions of the *Second Circuit* in *Sproull v. Pratt & Whitney Co.*, 108 F. 963 (2d Cir. 1901) and *Pressed Steel Car Co. v. Union Pac. R. Co.*, 270 F. 518 (2d Cir. 1920).

Each of the authorities cited by the Court below relies, at least in part, upon the *Second Circuit* line of decisions culminating in *Squibb*. Prominent among such authorities is *Six Star Lubricants Co. v. Morehouse*, 101 Colo. 490 from which the court below quoted as follows:

"There is no legal inhibition against a party contracting to pay royalty on a patented article or formula for a period beyond the date of the expiration of the patents." (App. A, *infra*, p. 16a)

⁷ With respect to the various misuse defenses the *Maryland Court* stated at p. 47:

"An exhaustive treatment is not deemed necessary. First the court is entirely satisfied that the patents in question are invalid."

The Court also indicated that if there should be a remand it would be necessary to determine the time periods during which the misuse

- (d) a conflict between the decision below which enforced a license contract extending a patent monopoly to unpatented materials by a post-expiration royalty provision and the decisions of this Court which preclude any extension of a patent monopoly to unpatented subject matter;⁸ and
- (e) a conflict between the decision below which contained a mandatory license under a package of patents and pending applications and the decisions of this Court which condemn such a practice as both a misuse and an anti-trust violation.⁹

A. THE CONFLICT CONCERNING THE LEGALITY OF POST-EXPIRATION ROYALTY CONTRACTS—QUESTIONS 1 AND 2 ON THIS PETITION

Fundamental conflict exists in both the federal and state courts on the issue of whether a patent licensee agreement legitimately may require the post-expiration payment of royalties.

practices were in force and that it would desire to have testimony as to the actual experiences of the licensees. The *Technograph* decision is on appeal to the United States Court of Appeals for the Fourth Circuit. If the Appellate Court should reverse the Maryland District Court on the misuse issues here relevant, the result would be a conflict with the decisions of the Third Circuit in *Ar-Tik Systems* and *American Securit*, *supra*.

⁸ Such "misuse" decisions are numerous and include cases cited *supra*, page 8.3

⁹ Representative decisions include *United States v. Loew's, Inc.* and *United States v. Paramount Pictures, Inc.*, *supra*, page 3.

1. Cases Sustaining Post-Expiration Royalty Contracts

Persuaded by a series of decisions originating in the Second Circuit, the court below (App. A, p. 16a) held:

"The great weight of authority, as well as the stronger reasoning, is that parties to a licensing agreement may contract for the payment of royalties beyond the expiration of the patent, although, in the absence of such an agreement, a license contract expires when the licensed patent expires. Among the authorities so holding are *E. R. Squibb & Sons v. Chemical Foundation, Inc.*, 93 F. 2d 475;¹⁰ *Starke v. Manufacturers Nat Bank of Detroit*, 174 F. Supp. 882; *Tate v. Lewis*, 127 F. Supp. 105; *H-P-M Development Corp. v. Watson-Stillman Co.*, 71 F. Supp. 906; and *Six Star Lubricants Co. v. Morehouse*, 101 Colo. 491."

The Court then acknowledged one conflicting decision—ignored or speciously distinguished others—and elected to follow *Squibb*. In so doing it emphasized the fundamental conflict presented by this petition. Footnote 3 of the opinion below (App. A, p. 17a) states:

"3. We are aware of a recent *contrary* decision in *Ar-Tik Systems, Inc. v. Dairy Queen, Inc.*, 302 F. 2d 496, (C.A. 3d 1962). In that case the payment of royalties was required throughout the life of the machines sold. This was held to be a misuse of patents. *We may assume that the agreement was enough like those involved in this case to make the rule applicable. We find the reasoning of the earlier cases more appealing*, however, and we are not obliged to follow decisions of lower federal courts. *Lamb v. Railway Express Agency*, 51 Wn. 2d 616. It is

¹⁰ The Second Circuit opinion in *Squibb* relied upon earlier decisions in the same court. See footnote 6, *supra*, page 9.

of interest that the writer of a review of this case in 30 Geo. Wash. L. Rev. 535, observed in a footnote that the agreement involved in the Hazeltine case (339 U.S. 827, 85 USPQ 378) might be justified by the Court of Appeals for the Third Circuit as a convenient method of payment." (Unless otherwise indicated all emphasis is added)

The decision below is the last in a line of cases sustaining post-expiration royalty cases on the authority of *Squibb*. Such cases include, in addition to those cited by the court below: *Dwight & Lloyd Sintering Co. v. American Ore Reclamation Co.*, 44 F. Supp. 396 (S.D.N.Y. 1939) and *Bettis Rubber Co. v. Kleener*, 104 Cal. App. 2d 821, 233 P. 2d 82 (Cal. Dist. Ct. of Appeals 1951). In *Adams v. Dyer*, 129 Cal. App. 2d 160, 276 P. 2d 186 (1954) the court sustained a contract requiring post-expiration royalty payments on the general law of contracts and without reference to *Squibb*.

In Walker, *Patents*, p. 456 (1961 Supp. to Vol. II Deller's ed.), Ellis *Patent Licenses*, Sec. 109, p. 128 (3rd ed. Deller, 1958) and 69 C.J.S. Patents § 262, p. 802, there are statements to the effect that an agreement to pay royalties after a patent has expired may be valid and binding. The authorities cited are either the Second Circuit or other cases noted heretofore.

2. Cases Condemning Post-Expiration Royalty Payments As Constituting Patent Misuse

In *Scott Paper Co. v. Marcalus*, 326 U.S. 249, 66 S. Ct. 101, 90 L. Ed. 47 (1945), this Court held that the assignor of a patent is not estopped in an infringement suit brought by his assignee from showing that the ac-

cused practice falls within the scope of an expired patent. In so doing, this Court stated at p. 255-257:

"The nature and extent of the legal consequences of the expiration of a patent are *federal questions* the answers to which are to be derived from the patent laws and the policies which they adopt . . .

"... *any attempted reservation or continuation in the patentee or those claiming under him of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws* . . .

"By the force of the patent laws not only is the invention of a patent dedicated to the public upon its expiration, but the public thereby becomes entitled to share in the good will which the patentee has built up in the patented article or product through the enjoyment of his patent monopoly. Hence we have *held that the patentee may not exclude the public from participating in that good will or secure, to any extent, a continuation of his monopoly by resorting to the trademark law* . . .

"It is thus apparent that *the patent laws preclude the patentee of an expired patent and all others including petitioner from recapturing any part of the former patent monopoly*; for those laws dedicate to all the public the ideas and inventions embodied in an expired patent. They do not contemplate that anyone by contract or any form of private arrangement may withhold from the public the use of an invention for which the public has paid by its grant of a monopoly and which has been appropriated to the use of all.

The rights in the invention are then no longer subject to private barter, sale or waiver."¹¹

The decision below is inconsistent on its face with the decision in *Scott Paper Co.* which reaffirmed the prior rulings of this Court that:

"... the patent laws preclude the patentee of an expired patent and all others . . . from recapturing any part of the former patent monopoly,"¹²

after the patent expires.

The federal courts, after the *Scott Paper Co.* decision, expressly held that post-expiration royalty contracts are unenforceable as contrary to the public policy of the patent laws.

These cases—which are squarely in conflict with the decision below—include: *Ar-Tik Systems, Inc. v. Dairy Queen, Inc.*, 302 F. 2d 496 (3d Cir. 1962); *American Securit Co. v. Shatterproof Glass Corp.*, 268

¹¹ The court below quoted and relied upon the holding in *Six Star Lubricants Company, supra*, that:

"... When the parties entered into the contract they knew of the expiration dates of the patents, and if defendants saw fit to contract for royalty beyond such a time, it may not now complain of an anticipated condition brought about by operation of law..." (App. A, *infra*, p. 16a)

The direct conflict between that ruling and the holding of this Court in *Scott Paper Co.*, *supra*, that subsequent to the expiration of the patent,

"the rights in the invention are then no longer subject to private barter, sale or exchange"

is self-evident.

¹² *Scott Paper v. Marcalus, supra*, was ignored by the court below and the trial court although strongly urged by defendants.

F. 2d 769 (3d Cir. 1959); *Technograph Printed Electronics, Inc. v. The Bendix Corporation*, 218 F. Supp. 1 (D.C. Md. 1963).¹³

In *Ar-Tik Systems, Inc.*—admittedly contrary to the decision below—the Third Circuit fully reviewed the relevant precedent, including the Second Circuit decision in *Squibb*. The Third Circuit rejected *Squibb*, recognized the mandate of this Court in *Scott Paper Co.* and held at p. 510:

“After the expiration of Patent No. 2080971 on May 18, 1954, the grant of patent monopoly was spent. An attempt to extend that monopoly by the exaction of royalties thereafter was unenforceable. Such action clearly appears to be interdicted by *Scott Paper Co. v. Marcalus Co.*, supra, and *American Securit Co. v. Shatterproof Glass Corp.*, supra.

“See *Scapa Dryers, Inc. v. Abney Mills*, 269 F. 2d 6 (5th Cir. 1959); *Prestole Corp. v. Tinnerman Products, Inc.* 271 F. 2d 146 (6 Cir. 1959).”¹⁴

In *American Securit Co.*, the court condemned a package license agreement which inherently required

¹³ Prior to the decision in *American Securit Co.*, supra, the doctrine of the *Squibb* case that post-expiration payments were unobjectionable was questioned in *Baker-Cammack Hosiery Mills v. Davis Co.*, 181 F. 2d 550 (4 Cir. 1950); *April Productions v. G. Schmirner, Inc.*, 308 N.Y. 366, 126 N.E. 2d 283 (1955); *Warner-Lambert Pharm. Co. v. John J. Reynolds, Inc.*, 178 F. Supp. 655 (S.D.N.Y. 1959). The last two decisions relied upon *Scott Paper Co.*

¹⁴ In *Prestole Corporation v. Tinnerman Products, Inc.*, the Sixth Circuit on the authority of *Scott Paper Co.* held unenforceable certain license contracts which foreclosed the licensee from using the invention of an expired patent. The decision of the Fifth Circuit in *Scapa Dryers, Inc.* is to the same effect.

post-expiration royalty payments, in the following language which was quoted with approval in *Ar-Tik Systems*:

"We conclude also, and quite apart from all of the foregoing, that Paragraph 8 of Securit's Standard Licensing Agreement which provides that that agreement shall continue 'in full force and effect to the expiration of the last to expire of any' of Securit's patents set out in 'Schedule A' constitutes a patent misuse for it extends the payment of royalties of patents under patents which may expire to the expiration date of that patent most recently granted to Securit. * * *" (268 F. 2d at p. 777)

American Securit Co. was erroneously "distinguished" below. The Washington court said that "no authorities were cited in the opinion," that "the soundness of that decision is open to serious question," that the ruling was "in any event dictum" and that "the facts of that case differ substantially from those in this case." (App. A, p. 15a)

On the issue of post-expiration royalty payment there can be *no fact* distinction. *Both* courts found that the contracts respectively in issue required post-expiration royalty payment. The Third Circuit in *American Securit* found such a provision to constitute misuse. The court below held the contrary. The conflict in *decision* is inescapable.

The most recent conflicting opinion is that of the District Court for the District of Maryland in *Technograph, supra*. In that case the court considered two different post-expiration royalty contracts. The first contained an express requirement that royalties be paid after the expiration date of one of the licensed

patents. With respect to that contract the court at p. 48 said:

"This express requirement that *royalty* be paid on a patent for five years after its expiration seems to be a clear violation of established principles that the monopoly of a patent cannot be continued, even by agreement, beyond its expiration date. *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 1917, 243 U.S. 502, 516, 37 S. Ct. 416, 61 L. Ed. 871; *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 1945, 326 U.S. 249, 255-258, 66 S. Ct. 101, 90 L. Ed. 47; *Prestole Corp. v. Tinnerman Products, Inc.*, 6 Cir., 1959, 271 F. 2d 146, 154, 155, cert. den. 1960, 361 U.S. 964, 80 S. Ct. 593, 4 L. Ed. 2d 545; *Tinnerman Products, Inc. v. George K. Garrett Co.*, D.C. E.D. Pa. 1960, 185 F. Supp. 151, aff'd. 3 Cir. 1961, 292, F. 2d 137, cert. den. 1961, 368 U.S. 833, 82 S. Ct. 58, 7 L. Ed. 2d 35."

The second agreement discussed by the court in *Technograph* contained a provision similar to that condemned in *American Securit*. The Maryland court at p. 48 said:

"The validity of such a provision was questioned by the Court of Appeals for the Fourth Circuit because it 'might easily lend itself to an unreasonable restraint of trade by extending patents beyond their legal limit . . . ' (*Baker-Cammack Hosiery Mills v. Davis Co.*, 4 Cir., 1950, 181 F. 2d 550, 573, cert. den. 1950, 340 U.S. 824, 71 S. Ct. 58, 95 L. Ed. 605)"

The Maryland court then noted that:

"... such a provision was specifically held to be invalid in *American Securit Co. v. Shatterproof Glass Co.*,"

quoted the *same* passage from *American Securit* as that relied upon by the Third Circuit in *Ar-Tik Systems*, and stated:

"This court is in accord with the Third Circuit holding."

**B. THE CONFLICT WITH THE DECISIONS OF THIS COURT
IN THE "TYING" CASES**

The subject matter of an expired patent necessarily is *unpatented*—"the patentee may not . . . secure . . . to any extent . . . a continuation of his monopoly."¹⁵

The decision below which sustains post-expiration royalty contracts is, therefore, in direct conflict with the decisions of this Court in the "tying cases". The most recent decision *United States v. Loew's, Inc.*, 371 U.S. 38, 83 S. Ct. 97, 9 L. Ed. 2d 11 (1963) cites the pertinent prior decisions and states the applicable rule as follows:

"These cases reflect a hostility to use of the statutorily granted patent monopoly to extend the patentee's economic control to unpatented products. The patentee is protected as to his invention, but may not use his patent rights to exact tribute for other articles."

The application of the rule of the "tying" cases to the extension of the monopoly of an expired patent was recognized by the Sixth Circuit in *Prestole Corporation v. Tinnerman Products, Inc.*, 271 F. 2d 146 (6th Cir., 1959). In that case the court held each of a package of licensed patents misused because the license agreement restricted the free use of the invention of one of the patents which had expired. The court at p. 155 said:

"It is however unimportant on the point involved here that some of the mentioned patents

¹⁵ *Scott Paper Co. v. Marcalus*, 326 U.S. 249, 66 S. Ct. 101, 90 L. Ed. 47 (1945).

had not expired. Our decision is controlled by the fact that one of them had expired . . .

"We have in mind that after the expiration of a patent, the invention originally protected thereby becomes, for all purposes, an unpatented device. The Courts have uniformly held that existing patents cannot, by conditions attached to license agreements, be used to create or extend a monopoly to unpatented articles.

"In the case of *Mercoid Corporation v. Mid-Continent Investment Co.*, 320 U.S. 661, 64 S. Ct. 268, 88 L. Ed. 376, an accused infringer interposed as defense to a charge of infringement that the plaintiff, 'should be barred from relief because it was seeking to extend the grant of the patent to unpatented devices' (320 U.S. at page 662, 64 S. Ct. at page 269).

"While the facts of that case are not directly in point with the case at bar, the principles involved are sufficiently analogous that the Court's reasoning is apposite here. . . ."

The fundamental conflict between the decision below and the apposite decisions of this Court is strikingly demonstrated by the attempt of the Washington court to distinguish *Prestole*. The court below said: (App. A, p. 15a)

"The defendants also cite *Prestole Corp. v. Tinnerman Products, Inc.*, 271 F. 2d 146, 423 USPQ 242, and *Tinnerman Products, Inc. v. George K. Garrett Co.*, 185 F. Supp. 151, 126 USPQ 130. These cases do not involve the question of whether royalties can be collected after the expiration of a patent, but simply recognize the indubitable rule that the *monopoly* of a patent cannot be extended beyond the 17-year period." (162 Wash. Dec. 28)

But it is clear from *Scott Paper Co.* that the patentee may not "recapture any part of the former patent

monopoly.”¹⁶ So much of the decision below as purports to distinguish *Prestole* on the ground that a post-expiration royalty contract is not an extension of the patent monopoly is manifestly in conflict with *Scott Paper Co.*—and with the subsequent cases invalidating post-expiration royalty contracts as an extension of the expired patent monopoly on the authority of that decision.

C. THE CONFLICT WITH THE DECISIONS OF THIS COURT WHICH FORBID, AS AN ANTITRUST VIOLATION AND AS A MISUSE, THE COERCIVE PACKAGE LICENSING OF PATENTS—QUESTION 3 ON THIS PETITION

The decision below sustained a patent license which “expressly” require that petitioners “. . . in order to use . . .” certain old machines purchased from prior owners “. . . *must* secure . . .” from respondent “. . . a license to use . . .” a package of 12 issued patents and various unidentified patent applications. (App: A, p. 11a).

At least *five* of the licensed patents were *never* incorporated into the machines in question. *All* expired—and at least *two* were *invalidated* during the license term—“which . . . could only be cancelled at the election of the plaintiff.” (App. A, p. 18a)

The decision below is in obvious conflict with the rulings of this Court which condemn, as an antitrust violation, the grant of a license under one patent or copyright on condition that a license under additional patents or copyrights be accepted. *United States v. Loew's Inc.*, 371 U.S. 38, 83 S. Ct. 97, 9 L. Ed. 2d 11

¹⁶ Compare the proper application of *Scott Paper Company* in an identical situation by the Maryland District Court in *Technograph*, *supra*, as follows:

“This . . . requirement that royalty be paid on a patent . . . after its expiration seems to be a clear violation of established principles that the monopoly of a patent can not be continued even by agreement beyond its expiration date.”

(1962); *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 92 L. Ed. 1260 (1948).

To avoid a holding of antitrust violation, the court below ignored the very terms of the contracts in suit. It said (App. A, p. 14a):

"(2) In regard to the contention that the contracts are illegal because they condition the grant of a license on some patents on acceptance of a license on a larger group of patents, the complete answer is that this is simply not the fact. *The contracts do not require the defendants to take a license on all or none of the patents held by the plaintiff; they simply give them a license to use as many of the patented devices or methods as they choose, whether or not they were incorporated in the machines when they were purchased.*

* * * * *

"In this case, the trial court did not find, and the contracts in themselves do not reveal that there was any conditioning of the grant of a license to use the machines on an acceptance of a license to use other methods and devices not at that time embodied in the machines . . ."

These statements are wrong on the face of the contracts. They reflect the unsuccessful struggle of the Court to conform the facts of this case with those in *Automatic Radio Manufacturing Co. v. Haseltine*, 339 U.S. 827, 70 S. Ct. 894, 94 L. Ed. 1312 (1949), on the authority of which it justified its decision.¹⁷ The contracts state:

¹⁷ In *Automatic Radio* this Court expressly found

"... no inherent ^{extension} exception of the monopoly of the patent . . .", a finding which could not have been made with respect to post-expiration royalty contracts as both the trial Court (154 F. Supp. 890, D. Del. 1957) and the appellate Court recognized in *American Securit supra*. Actually the Court below appears to have relied

"5. Title to said machine(s) shall vest in Second Party (petitioners) on delivery of said machine(s) to Second Party by Third Party¹⁸ but the vesting of title to said machine(s) in Second Party shall not license Second Party to use said machine(s) and to practice the methods and processes disclosed and claimed in Letters Patent hereinafter listed and related thereto.

"6. It is expressly understood that the sale and/or delivery of said machine(s) is without the right to use said machine(s) and/or the methods and processes disclosed and claimed in the Letters Patent listed hereinafter, and that in order to use said machine(s) and/or said methods and processes Second Party (Petitioners) must secure from First Party (Respondent) a license to use said machine(s) and/or said methods and processes, and that the continuing right to use said machine(s) and/or said methods and processes is strictly conditioned upon the full and faithful performance of such license;

"WHEREFORE, First Party [Respondent] hereby grants to Second Party [Petitioners] a . . . license . . ." (There follows a list of 12 issued patents followed by the statement, "Other Patents Pending.") (App. C, p. 42a).

On their face the contracts in suit

(a) vest in petitioners [Second Parties] *only* naked title to the used hop picking machines purchased

upon *Automatic Radio* in support of its conclusion that the public right in the subject matter of an expired patent may be compromised by private contract. See note *supra* page 5. *Automatic Radio* is frequently, albeit inaccurately, urged to be contrary to *Scott Paper Company* on this fundamental point. The need for an authoritative delineation of the relationship between these two decisions affords an additional reason for the granting of this petition.

¹⁸ The prior owner of the "purchased machines".

from the prior owners [Third Parties] (par. 5) App. C, p. 42a, *infra*, and

(b) require that the petitioners

“... *must* secure from First Party [Respondent] a license ...” (par. 6) App. C, p. 43a, *infra*.

under *a package of 12 patents* and various unidentified patent applications—*only seven of which were ever needed*—to obtain “the right to use said machines” (par. 6) App. C, p. 43a, *infra*.

With respect to the twelve patents in the compulsory license package, the trial court found as a fact:

“7. ... It is admitted in the pleadings that seven and *only seven of the twelve* of the plaintiff's patents listed by number in said contracts were incorporated into the defendants' hop picking machines, and all of those patents expired on or before 1957.
* * * (App. A, p. 32a).

On this record the statement of the court below that

“... the contracts in themselves do not reveal that there was any conditioning of the grant to a license to use the machines on an acceptance of a license to use other machines and devices not at that time embodied in the machines.” (App. A, p. 15a).

is obviously *wrong*. Antitrust violation under the rule announced by this Court in *Loew's* and *Paramount* is inescapable. Certiorari should be granted to correct the conflict between the decision below and the controlling decisions of this Court.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

EDWARD S. IRONS
1000 Connecticut Avenue, N. W.
Washington 36, D. C.
Attorney for Petitioner

Of Counsel:

CHARLES C. COUNTRYMAN
VELIKANJE & MOORE
Suite 4 - Yakima Legal Center
303 East "D" Street
Yakima, Washington

IRONS, BIRCH, SWINDLER & MCKIE
1000 Connecticut Avenue, N. W.
Washington 36, D. C.

APPENDIX A

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR YAKIMA COUNTY

No. 43538

THYS COMPANY, a corporation, *Plaintiff*,

v.

WALTER C. BRULOTTE and JANE DOE BRULOTTE, his wife,
Defendants.

No. 43602

THYS COMPANY, a corporation, *Plaintiff*,

v.

RAYMOND CHARVET and JANE DOE CHARVET, his wife
Defendants.

Memorandum Opinion

This is a suit for royalties claimed due under sale and licensing contracts covering certain hop-picking machines and various hop-picking machine patents listed therein. The plaintiff alleges non-payment of royalties and seeks judgment for the minimum annual royalties together with an accounting to determine any additional sum that may be due. The defendants entered a denial and plead certain affirmative defenses.

The facts, in the main, are not disputed. The plaintiff entered into a licensing contract with the defendant Brulotte on August 10, 1948, which contract was to run to the completion of the 1958 harvest season. The defendant Charvet's agreement commenced on January 31, 1951, and extended to the completion of the 1960 harvest season. Both contracts are essentially the same in content and listed twelve patents together with "other patents pending".

It is admitted that only six or seven of the patents listed were incorporated into the machines here in question and that all of those patents expired on or before 1957. Of the patents pending at the time the agreements were entered into it is agreed that one patent (Exhibit 22) was pending as to both defendants at the time the contracts were entered into and that said patent does not expire until 1969. One patent (Exhibit 23) was pending as to Brulotte but not as to Charvet and is as yet unexpired. One patent (Exhibit 25) was pending as to Charvet but not as to Brulotte and it is unexpired. These patents pending were available for use by the defendants but the record is inconclusive as to whether or not they were in fact used or incorporated into the machines. Three patents were declared invalid by lower Federal Courts. One of the patents declared invalid was a method patent (Exhibit 6) and another patent (Exhibit 15) was admittedly never incorporated into the machines. The other patent declared invalid (Exhibit 23) was a patent pending as to Brulotte only.

It is further admitted that the contracts were signed as alleged in the complaints and that neither defendant paid any royalties after the 1952 season. The defendant Brulotte testified that he used the machine from the period 1953 to 1958, both inclusive. The defendant Charvet stated that he did not use the machine after 1952, at which time he removed his hopyard and that in 1958-1959 he raised hops but did not use the machine listed in the contract.

It is further agreed that the form contracts used covered portable hop-picking machines and that the contracts were uniform with other contracts used whether they were three-party contracts or two-party contracts. The contracts purport to pass title to the machines to the defendants but provide that they shall not be used except under licenses specified in the contracts which also provide for payment of royalties. See sections 6, 7 and 8 of contracts (Exhibits 1 and 3).

The affirmative defenses of the defendants raise the following issues: (1) Are the actions barred by the statute of limitations? (2) Is there a failure on the part of the plaintiff to comply with the terms of the contract? (3) Is there an eviction or failure of consideration because of invalidity of three patents? (4) Is the plaintiff guilty of fraud? (5) Are the contracts void or unenforceable as against public policy because of attempted restrictions in the use of the machines after sale? (6) Are the contracts void as against public policy or unenforceable because of misuse of patent rights by the plaintiff in: (a) tying-in patents not in use in the machines; (b) extending licenses beyond terms of patents, and (c) restricting free use of machine by having patents on relatively inconsequential portion of the total machine.

Besides the above affirmative defenses the defendants argue that the royalties cannot be collected because (1) the machines were not used or while the machines were not used, and (2) because the contracts were terminated by the defendants' default in paying the royalties.

I find no substance in the argument of the defendants that the contracts were terminated by the default of the defendants, since it appears to me that under the language of the contracts contained in paragraph six thereof, it was the intent of the parties that the contracts could only be cancelled at the election of the plaintiff in the event of default or payment of royalties. A party should not be allowed to take advantage of his own default unless the language in the contract is clear and specific as to such right. This contract provides that the right to use the machines is conditioned upon full performance by the licensee. The contract is for a definite term and I am convinced from the reading of it that the parties intended that it run for that term. If defendants' contentions are meritorious then the contract would be cancellable at will of the defendants. As stated, I am sure

that is not what was intended. I, therefore, hold that the contracts herein were not terminated by the defaults of the defendants.

I also find there is no merit in the defendants' contentions that the royalties cannot be collected while the machine is not in use. That argument flies in the face the whole intent and wording of the contracts. If that argument were meritorious then the parties certainly would not have fixed minimum royalties.

I also find no merit in the first for affirmative defenses. The first, second and fourth affirmative defenses were not sustained by the evidence and were not argued, and therefore, I assume the defendants found no comfort in them. As to the third affirmative defense, that is, the defense of eviction or failure of consideration, it seems to me there is likewise lack of evidence. The licenses here cover not one single patent but several, and were *non-exclusive*. There is no evidence in the record that the three patents which were declared invalid were the "substance" of the agreement or had any effect whatsoever on the operation of the machines or caused the defendants any concern, much less *evict* them from the use of the machine. It is admitted that at least one of the patents, (Exhibit 7), was for a total hop-picking machine and this patent was not declared invalid. It is the general rule that courts will not inquire into the adequacy of consideration as long as some consideration exists. It is evident that there was some consideration here and the defendants have not sustained the burden of proving that it was insufficient consideration any more than they have sustained the burden of proving that they have been evicted from the use of the machines. The defendants got what they bargained for and may not complain about inconsequential matters. See *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, [C. A. 1] 176 Fed. 2d 799. See also *North Drive-In Theatre Corp. v. Park-In Theatres*. [C. A. 10] 248 F. 2d 232.

The next contention made by the defendants fifth affirmative defense is that the contracts are void as against public policy because of attempted restrictions in the use of the machines after sale. The defendants contend that the plaintiff cannot sell the machines and at the same time control the right to use the machines. In other words, that at the time of the sale the machine passed beyond the monopoly of the plaintiff. The cases cited by defendants, however, deal with the attempts on the part of the patentee to control the resale prices of patented article, or in some other way to restrain or limit the use of the articles. None of those cases hold that a contract is invalid simply because it requires the payment of royalties after passing of bare title.

Our Supreme Court in the case of *Thys v. State*, 31 Wn. 2d 739, held that the royalties provision under this same type of contract kept the sale from being an "unconditional" sale since it conveyed bare title without right of use and that the royalties were in effect a part of the purchase price. I think that case and the cases cited therein are conclusive in favor of the plaintiff in this matter even though this question was not squarely presented in the former *Thys* case. Certainly, it is a recognition by the court that this is not an unconditional sale. Furthermore, the cases cited by the defendants were mostly patent infringement cases or cases brought under the anti-trust laws and concerned attempts by patentees to clearly control the use or resale of patented articles after they had passed unconditional titles. They do not say that a patentee may not collect royalties as a part of the sale and as a condition thereto.

The matters chiefly relied on by the defendants, however, are contained in their sixth affirmative defense. They argue that the contracts are void as against public policy or unenforceable because of misuse of patent rights in three particulars, namely: (a) tying-in patents not used

in the machines (b) extending licenses beyond terms of patents (c) restricting free use of the machines by having patents on a relatively inconsequential portion of the total machines. The allegations of misuse contained in (c) above are clearly not sustained by the evidence. As stated before, at least one patent is for a whole hop picking-machine. Certainly, there is no evidence upon which a court could find that the patents used are "inconsequential".

As to items of misuse (a) and (b), the defendants principally rely upon the case of *American Securit Company v. Shatterproof Glass Corporation* [C. A. 3] 268 F. 2d 769 (1959), wherein the court held that mandatory patent package licensing constituted a misuse of patents and also held that a provision in a licensing agreement which provides that the agreement should continue in full force and effect to the expiration of the last patent to expire constituted patent misuse by extending the payment of royalties beyond the expiration date of some of the patents. On the other hand, as to item (a), the plaintiff relies mainly upon the case of *Automatic Radio Manufacturing Company v. Hazeltine Research Inc.*, 77 F. Supp. 493, affirmed [C. A. 1] 176 F. 2d 799, affirmed 339 U.S. 827, 94 L. ed. 1312.

The *American Securit* case is distinguishable from the case here under consideration as to item (a) in that the patentee in that case did not desire to license the licensee under any of the patents unless it licensed it under all of them. In other words, in that case it appeared that the licensee was *compelled* to accept a package of patents whether it needed some of them or not, and that, therefore, the unwanted patents were tied in with the ones that were really wanted and did not stand on their own feet. The court held that each monopoly must stand on its own footing and cannot be conditioned upon the acceptance of another patent. There is no evidence in the record here that the defendants, or either of them: had sought and been re-

fused a license covering less than those listed in the agreement or that the plaintiff refused to grant a license under any one or more of its patents to anyone who refused to take a license under all of them. The plaintiff was merely licensing the right to use a machine and threw in all of the patents it had, regardless of whether they were being used in the machine at the present time or not.

The agreements here were essentially for the sale and use of hop-picking machines and as stated before, the defendants, received just what they bargained for. They received the machines and were never disturbed in their use of them. If any patents were included which were not needed in the use of the machines, they were mere surplusage and there is no evidence from which the court might conclude that any special value was placed upon any of the patents which were not incorporated in the machines. If the court could find from the evidence that the defendants were paying for something that they did not need then a different matter would be presented. In any event, the contracts do not become unenforceable merely because the licensees in a particular year do not happen to utilize a particular patent. The licensees had the right to use all of the patents and if they choose not to use them that is their own business. It does not change the fact that they had a *right* to use them, and that is all they bargained for. As a matter of fact, however, in this case the listings of the various unused patents seem to me to be extremely inconsequential since as stated before, the defendants received just what they bargained for, namely, the title to and the right to use a certain hop-picking machine.

Undoubtedly, the *Securit* case enlarged the misuse doctrine to cases where the use of one patent is used to strengthen the licensing appeal of another patent. The doctrine should not apply, however, where the whole package pertains or is necessary to the production of a *single product* for which the licensee is bargaining. In such a

case the licensee can only complain when the package is not large enough—not when it is too large. The licensee knows exactly what he wants and is getting, viz., a certain product or machine together with the free and uninterrupted use thereof, and if he gets that how can he complain that he has been given too many patents, unless he can show that the additional patent cost him extra. There has been no such showing in this case. All parties knew what was being transferred, all knew the price, and all agreed. No evidence has been adduced to show any mandatory tying-in of unwanted patents or to show any special or additional charges for unused or unwanted patents. The defendants have, therefore, not sustained the burden of proof as to item (a).

As to item (b), i.e., the extending of the life of the licenses beyond the life of the listed patents, the defendants rely solely on the *Securit* case. In the instant case the contracts (Exhibits 1 and 3) provide that the term of the license shall be from the date of the agreement until the end of a certain year's harvest "irrespective of the date of expiration of any of the letters patent hereinabove listed". As a matter of fact, all of the patents listed and used in the machines expired in 1955 or 1957. The patents pending (only the patents pending at time contracts were entered into are of significance, viz., Exhibits 22, 23, and 25) were not expired and two of such patents pending apply to each party defendant. Therefore, it may be said that most, but not all, patents contemplated by the parties had expired prior to the end of the licensing terms. The *Securit* case holds that failure to provide for reduction in package royalties upon the expiration of individual patents contained in the package constitutes misuse. Such a holding, therefore, requires that each patent, if the licensee so desires, be priced and licensed individually even though pertaining to a single product. Such a requirement makes sense if each patent pertains to some separate process or

product, since each should stand on its own footing. But where the parties are dealing in regard to *one* product, such as a hop-picking machine, which is their sole concern, then the requirement of a separate listing puts an undue and meaningless burden on both licensee and patentee by dividing and dissipating their rights and by making a simple thing extremely complicated, tricky, and difficult to understand by the ordinary layman. In any event, I think it clear that the great majority of cases hold that the following of such a requirement is not necessary to avoid misuse. The defendants here knew or were charged with the knowledge of the expiration dates of the patents, but nevertheless agreed to extend the royalty payments over a longer term than most of the patents, which arrangement was as much or more for their own benefit as for the plaintiff's benefit. It seems to me that they cannot now complain of unclean hands caused by an *anticipated* condition brought on by operation of law. A majority of the courts so hold. See *Six Star Lub. Co. v. Morehouse* (Colo.) 74 Pac. 2d 1239; *H.P.M. Develop. Corp. v. Watson Stillman Co.*, 71 Fed. Supp. 906; *Pressed Steel Car Co. v. U. P. Ry. Co.* [C.A. 2] 270 Fed. 518; *E. R. Squibb & Sons. v. Chem. Foundation*, [C.A. 2] 93 Fed. 2d 475; *Chic. Pneumatic Tool Co. v. Ziegler*, [C.A. 3] 151 Fed. 2d 784; *Hope Basket Co. v. Product Advancement Corp.*, [C.A. 6] 187 Fed. 2d 1008; 69 C.J.S. 780 section 252 and section 262.

There was no misuse of patents and therefore defendants cannot prevail on their sixth affirmative defense.

The plaintiff is therefore entitled to recover against both defendants as prayed in for the complaints.

LLOYD L. WIEHL
Judge

WASHINGTON SUPREME COURT, DEPARTMENT ONE

THYS COMPANY v. BRULOTTE et al.

No. 36357

Decided June 6, 1963

• • • • •
Appeals from Superior Court, Yakima County, Washington, Wiehl, J.

Two actions by Thys Company for royalties under patent licenses, one against Walter C. Brulotte et al., and one against Raymond Charvet et al. From judgments for plaintiff, defendants appeal. Affirmed.

VELIKANJE & MOORE and CHARLES C. COUNTRYMAN, both of Yakima, Wash., for appellants.

CHENEY & HUTCHESON and ELWOOD HUTCHESON, both of Yakima, Wash., for respondent.

ROSELLINI, Justice.

This is a suit for royalties claimed due under sale and licensing contracts covering certain portable hop-picking machine patents listed therein. The trial court awarded judgment to the plaintiff for accrued and unpaid royalties, finding that such royalties were due and owing and that none of the affirmative defenses alleged by the defendants had been established.

Mainly, the defenses urged by the defendants on appeal relate to the validity of the licensing contracts. It is contended that the contracts were illegal because (1) they placed restrictions on the subsequent free use of the patents after they were sold, (2) they conditioned the grant of a license on some patents on acceptance of a license on a larger group of patents, (3) they licensed the use of patents beyond the 17-year period of monopoly granted by the sovereign, and (4) they violated the antitrust laws of

the United States. It is also contended that the contracts were terminated when the defendants first failed to pay royalties when they became due. For a last defense, the defendants alleged that they were not obligated to pay royalties for the years when the machines were not in use.

Before discussing these contentions, it will be well to describe the contracts under consideration in this action and the facts leading up to the litigation.

The plaintiff Thys Company, of which Mr. Edouard Thys, an inventor, was and is the president, holds numerous duly issued patents on mechanical hop-picking machines. The defendants are hop farmers who purchased portable hop-picking machines from sellers other than the plaintiff. In connection with the purchase of these machines, which embodied devices patented by the plaintiff, each defendant agreed to pay the plaintiff royalties for the use of his machine for a period which was to end 17 years after the date the machine was first sold by the plaintiff. The royalties were to be paid at the rate of \$3.33 $\frac{1}{3}$ per two hundred pounds of hops harvested with the machines, and in any event a minimum royalty of \$500 per year was to be paid for the use of each machine.

Under the terms of the licensing provisions of the contract, the defendants were entitled to use the machines and to make use of any of the patents which were owned by the plaintiff, as well as patents pending on hop-picking devices and methods, all of which were listed in the contracts, so long as they abided by the terms of the contracts. Not all of the patented items were used in the machines, and it was the purpose of the provision licensing use of all the patents to enable the purchaser to utilize the other patented items if they so desired without being obliged to pay additional royalties.

There was an agreement on the part of the defendants to keep records of the amount of hops harvested and to

render annual accountings to the plaintiff. The defendants also agreed to keep the machines in good repair during the term of the licenses, and to keep them insured. The plaintiff agreed to furnish replacement parts when they were in stock. There was an agreement not to assign the contract or to allow the machines to become subject to any lien or encumbrance other than liens for current taxes, without the consent of the plaintiff. The plaintiff agreed that such consent should not be unreasonably withheld.

In each contract, there were provisions that failure to enforce a provision would not operate as a waiver of the right to require subsequent strict performance; that time was of the essence of the contract; that a discount would be allowed for prompt payment of royalties; that the defendants should pay reasonable attorneys' fees to plaintiff in the event legal action should become necessary to enforce the terms of the contract; and that the terms of the contract comprised the entire agreement between the parties. The defendants also conceded the validity of any patent licensed in the contracts.

The defendant Brulotte purchased his machine in 1948; his obligation to pay royalties extended through the 1958 harvest. The defendants Charvet purchased their machine in 1951 and agreed to pay royalties until the completion of the 1960 harvest. The patents listed in the contracts expired at varying dates, some before the end of the period during which royalties were required and some after that period.

No royalties were paid by either party after the 1952 harvest season. Brulotte used his machine until 1958, but the Charvets did not use their machine after 1952. Apparently, these defendants purchased stationary machines when they stopped using the portable machines, finding them more satisfactory.

No error is assigned to the finding of fact. All of the errors assigned pertain to the interpretation and effect of the contracts. We will deal with these in the order in which they are listed at the beginning of this opinion.

(1) The first contention is that these royalty contracts embodied attempts on the part of the plaintiff to control the use of patented articles after they were sold. Numerous authorities are cited which hold that the sale of a patented article by one holding the patent, or a license to use the patent, puts the patented article beyond the reach of the monopoly conferred by the patent. But in this case, the patented articles were not sold by the patent holder or his licensee. Rather, bare title to the manufactured article was sold by the manufacturer at the time of the first sale, and the right to use the article was licensed to the purchaser by the patent holder. As the United States Supreme Court said in *United States v. Masonite Corp.*, 316 U.S. 265,

“ . . . The test has been whether or not there has been such a disposition of the article that it may fairly be said that the patentee has received his reward for the use of the article.”

Under the contracts involved in this action, the manufacturer was paid for the making of the machines, plus a reasonable profit, and conveyed the title; the patentee, on the other hand, agreed to take his remuneration in the form of royalties; payable over a period of years, which was to the advantage of the purchaser, who was enabled to pay for the use of the machine over a long period of time. There was no reward to the patent owner other than the royalties payable under the contracts. Under the rule laid down in the *Masonite* case, then, there was no such a disposition of the machines when these contracts were entered into, that it could fairly be said that the plaintiff, the patentee, had received his reward for the use of the machines. That re-

ward would not be received until the final royalty payments were made.¹ Consequently, such control as he exercised over the use of the machines during the period when royalties were owned was within the monopoly granted him by the sovereign when the patents were issued.

(2) In regard to the contention that the contracts are illegal because they condition the grant of a license on some patents on acceptance of a license on a larger group of patents, the complete answer is that this is simply not the fact. The contracts do not require the defendants to take a license on all or none of the patents held by the plaintiff; they simply give them a license to use as many of the patented devices or not methods as they choose, whether or not they were incorporated in the machines when they were purchased.

None of the authorities cited by the defendants holds a licensing contract of this type invalid. A contract with a similar provision was upheld in the leading case of *Automatic Radio Mfg. Co. v. Hazeltine*, 339 U.S. 827. There a radio research organization entered into a licensing agreement with a manufacturer of radio broadcasting receivers, for royalties amounting to a small percentage of the manufacturer's selling price of complete radio broadcasting receivers, whereby it was given the right to use any or all of the patentee's 570 patents and any others which it might acquire. In that case, in an effort to avoid the obligation to pay royalties, the manufacturer made the same contention that is made here, that the contracts were invalid because they "conditioned" the licensing of the use of some patents on the acceptance of others. The court dismissed this contention summarily, remarking that there was no showing in the record that this was the case. The court ap-

¹ This holding is in accord with the construction which this court gave to identical licensing contracts, for tax purposes, in the case of *Thys v. State*, 31 Wn. 2d 739, cert. den. 337 U.S. 917.

proved the district court's characterization of the licensing agreement as "essentially a grant by Hazeltine to petitioner of a privilege to use any patent or future development of Hazeltine in consideration of the payment of royalties."

In this case, the trial court did not find, and the contracts in themselves do not reveal that there was any conditioning of the grant of a license to use the machines on an acceptance of a license to use other methods and devices not at that time embodied in the machines. We need not decide whether, if there had been such a condition, it would have rendered the contracts illegal.

(3) The next contention is that the contracts were unenforceable because they licensed the use of patents beyond the 17-year period of monopoly granted by the sovereign. *American Securit Co. v. Shatterproof Glass Corp.*, 268 F. 2d 769, is cited in support of that proposition. In that case, the court found that a patentee had refused to grant licenses on patents which the manufacturer had desired to use unless the manufacturer would accept other licenses and held that this was a misuse of patents.² As a consequence, the patentee was denied recovery in its patent infringement suit. The court then went on to say that a provision that the licensing agreement should continue in full force and effect until the expiration of the last of the patentee's licenses constituted a misuse of patent. No authorities are cited in the opinion, and there is no discussion of the theory the court used in arriving at this conclusion. It is, in any event, dictum.

The defendants also cite *Prestole Corp. v. Tinnerman Products, Inc.*, 271 F.2d 146, and *Tinnerman Products, Inc. v. George K. Garrett Co.*, 185 F. Supp. 151. These cases

² The correctness of that decision is open to serious question; but we do not deem it necessary to discuss it here, inasmuch as the facts of that case differ substantially from those in this case.

do not involve the question of whether royalties can be collected after the expiration of a patent, but simply recognize the indubitable rule that the *monopoly* of a patent cannot be extended beyond the 17-year period.

The great weight of authority, as well as the stronger reasoning, is that parties to a licensing agreement may contract for the payment of royalties beyond the expiration of the patent, although, in the absence of such an agreement, a license contract expires when the licensed patent expires. Among the authorities so holding are *E. R. Squibb & Sons. v. Chemical Foundation, Inc.*, 93 F. 2d 475; *Starke v. Manufacturers Nat. Bank of Detroit*, 174 F. Supp. 882; *Tate v. Lewis*, 127 F. Supp. 105; *H-P-M Development Corp. v. Watson-Stillman Co.*, 71 F. Supp. 906; and *Six Star Lubricants Co. v. Morehouse*, 101 Colo. 491. In the latter case, where an attempt was made to avoid the obligation to pay royalties because the contract called for their payment beyond the expiration date of the patent, the court said:

"There is no legal inhibition against a party contracting to pay royalty on a patented article or formula for a period beyond the date of the expiration of the patents. 48 C.J. 277, § 451; *Mitchell v. Hawley*, 16 Wall. (U.S.) 544, 21 L. Ed. 322; *Pressed Steel Car Co. v. Union P. R.R. Co.*, 270 F. 518.

• • • •

"Under these circumstances, we do not believe that we should declare, as a matter of law, that the contracts of October 26, 1925, terminated upon the expiration of the patents. • • •

"• • • When the parties entered into the contract they knew of the expiration dates of the patents, and if defendants saw fit to contract for royalty beyond such a time, it may not now complain of an anticipated condition brought about by operation of law. • • •"

This is the rule which is set forth in Ellis, Patent Licenses (3d ed.) § 109, p. 128.³

In this case, when the parties signed their agreements, the instruments showed on their faces that some of the patents would expire before the end of the period during which the payment of royalties was required. It was undoubtedly understood between them that a 17-year period was a reasonable amount of time over which to spread the payments for the use of the patent. They agreed that the value of the right to use the patents embodied in the machines was at least \$500 per year, for the remaining years of the royalty period. There is no legal or equitable reason why they should not be required to perform their agreement.

(4) The allegation that the contracts violate the anti-trust laws of the United States is grounded on the contention that they constitute an abuse of patents, which, as we have already held, is without merit.

(5) In support of the contention that the contracts were terminated when the defendants ceased to pay royalties, they point to the language of the contracts granting the license:

“ * * * as long as the terms hereof be fully and faithfully performed and maintained, to use said ma-

³ We are aware of a recent contrary decision in *Ar-Tik Systems, Inc. v. Dairy Queen, Inc.*, 302 F. 2d 496 (C.A. 3d 1962). In that case the payment of royalties was required throughout the life of the machines sold. This was held to be a misuse of patents. We may assume that the agreement was enough like those involved in this case to make the rule applicable. We find the reasoning of the earlier cases more appealing, however, and we are not obliged to follow decisions of lower federal courts. *Lamb v. Railway Express Agency*, 51 Wn. 2d 616. It is of interest that the writer of a review of this case in 31 Geo. Wash. L. Rev. 535, observed in a footnote that the agreement involved in the *Hazeltine* case (339 U.S. 827) might be justified by the Court of Appeals for the Third Circuit as a convenient method of payment.

chine(s), for the purpose for which said machine(s) was/were designed * * *."

and say that this language reveals an agreement that the obligation of both parties should cease in the event of default.

We cannot agree with this interpretation. In regard to this contention, the learned trial judge, in a very able memorandum decision, said:

"I find no substance in the argument of the defendants that the contracts were terminated by the default of the defendants, since it appears to me that under the language of the contracts contained in paragraph six thereof, it was the intent of the parties that the contracts could only be cancelled at the election of the plaintiff in the event of default or payment of royalties. A party should not be allowed to take advantage of his own default unless the language in the contract is clear and specific as to such right. This contract provides that the right to use the machines is conditioned upon full performance by the licensee. The contract is for a definite term and I am convinced from the reading of it that the parties intended that it run for that term. If defendants' contentions are meritorious then the contract would be cancellable at will of the defendants. As stated, I am sure that is not what was intended. I, therefore, hold that the contracts herein were not terminated by the defaults of the defendants."

In cases cited by the appellants, the courts found that the parties had evidenced by their words, agreements that the licenses should terminate on default of the licensees. Such cases are *Mason v. Electro Inc.*, 292 N.Y. 482; *Standard Appliance Co. v. Standard Equipment Co.*, 296 F. 456, and *Rose v. Imbrey*, 37 N.Y.S. 2d 793. It should be noted

that none of the cases involved a licensing agreement pertaining to a manufactured product sold to the licensee, but rather, all concerned the licensing of patents to manufacturers who might or might not manufacture articles embodying the patents, depending on a number of circumstances. If they failed to use the patents, the licensor would not be greatly harmed if the contract were terminated, for he could license other manufacturers. But here, if the contracts were to be construed as providing for automatic termination on default of the defendants, the plaintiff would lose his reward for his patents, while the defendants would retain the patented machines. It cannot be supposed that such a result was intended.

Likewise, the contracts involved in the cited cases contained no absolute obligation to pay royalties. The contracts before this court do contain such obligations; according to their language, a minimum royalty is due each year for a definite number of years, regardless of whether hops are harvested. There is no ambiguity, and the trial court correctly so held.

(6) What we have just said disposes of the contention that royalties were not required for years when the machines were not used.

The trial court did not err when it held that none of the affirmative defenses had been established. The judgment is therefore affirmed.

OTT, Chief Justice, HILL, HUNTER, and HALE, Justices, concur.

IN THE SUPREME COURT OF THE STATE OF WASHINGTON

Remittitur

No. 36357

Yakima County Nos. 43538 and 43602

THYS COMPANY, a corporation, *Respondent*

v.

WALTER C. BRULOTTE and CECILIA BRULOTTE, his wife,
Appellants.

THYS COMPANY, a corporation, *Respondent,*

v.

RAYMOND CHARVET and BLANCHE CHARVET, his wife,
Appellants.

This is to certify that the opinion of the Supreme Court of the State of Washington filed on June 6, 1963, became the final judgment of this court in the above entitled case on October 4, 1963. This cause is remitted to the superior court from which the appeal was taken for further proceedings in accordance with the attached true copy of the opinion.

Pursuant to Rule 55 on Appeal, costs are taxed as follows:

Four Hundred Sixty-eight and 57/100 (\$468.57) Dollars in favor of respondent and against appellants and their surety American Surety Company of New York.

The Petition for Rehearing was Denied October 4, 1963.
cc: Court Reporter

VELIKANJE & MOORE

MR. CHARLES C. COUNTRYMAN

CHENEY & HUTCHESON

MR. ELWOOD HUTCHESON

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of said Court at Olympia, this 5th day of October, A.D. 1963.

WILLIAM M. LOWERY
*Clerk of the Supreme Court,
State of Washington.*

(Filed Feb. 19, 1960)

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR YAKIMA COUNTY

No. 43538

THYS COMPANY, a corporation, *Plaintiff.*

v.

WALTER C. BRULOTTE and JANE DOE BRULOTTE, his wife,
Defendants.

No. 43602

THYS COMPANY, a corporation, *Plaintiff,*

v.

RAYMOND CHARVET and JANE DOE CHARVET, his wife,
Defendants.

Stipulation and Order for Consolidation

IT IS HEREBY STIPULATED AND AGREED by and between the parties herein by their respective counsel that the two above entitled causes, involving similar issues of law and fact, shall be consolidated for trial.

CHENEY & HUTCHESON
Attorneys for Plaintiff

VELIKANJE & MOORE
CHARLES C. COUNTRYMAN
Attorneys for Defendants

Pursuant to the foregoing stipulation, It Is HEREBY ORDERED that the two above entitled causes are hereby consolidated for trial.

DONE IN OPEN COURT this 19th day of February, 1960.

1 1 1 1
Judge

Presented by:

ELWOOD HUTCHESON

Of Counsel for Plaintiff

APPROVED:

CHARLES C. COUNTRYMAN

Of Counsel for Defendants.

(Filed Jan. 6, 1962)

IN THE SUPREME COURT OF THE STATE OF WASHINGTON

No. 36357

THYS COMPANY, a corporation, *Respondent*,

v.

WALTER C. BRULOTTE and CECILIA BRULOTTE, his wife,
Appellants.

THYS COMPANY, a corporation, *Respondent*,

v.

RAYMOND CHARVET and BLANCHE CHARVET, his wife,
Appellants.

Stipulation and Motion for Consolidation of Cases on Appeal

Come now the parties hereto by and through their respective attorneys of record and stipulate and join in moving the Court for the entry of an order consolidating the two appeals above set forth for hearing in the Supreme

Court of the State of Washington. This stipulation and motion is made by the parties hereto for the reasons that the two cases were consolidated for trial in the Superior Court of the State of Washington in and for Yakima County, the two cases involve facts substantially similar, and the issues of law on appeal are substantially similar.

DATED this 5th day of January, 1962.

VELIKANJE & MOORE

By CHARLES C. COUNTRYMAN
Attorneys for Appellants

CHENEY & HUTCHESON

By ELWOOD HUTCHESON
Attorneys for Respondent

Order Consolidating Cases on Appeal

This matter coming on this day upon the stipulation and joint motion of the parties thereto, and it appearing to the Court that the two appeals above set forth should be consolidated for hearing on appeal,

THEREFORE, IT IS NOW ORDERED, ADJUDGED AND DECREED that the two appeals above set forth are consolidated for all purposes on appeal.

DATED this 6th day of January, 1962.

ROBERT C. FINLEY
Chief Justice

Presented by:

CHARLES C. COUNTRYMAN of
VELIKANJE & MOORE
Attorneys for Appellants

ELWOOD HUTCHESON of
CHENEY & HUTCHESON
Attorneys for Respondent

Excerpts from Transcript of Proceedings

Mr. Countryman: Before proceeding, I would like to move for allowance of amendment to the Answer, which is set forth in our amended answer which was dated June 21, 1960, as to the defendants Walter C. Brulotte and Jane Doe Brulotte, his wife, which was served June 21st, 1960.

The Court: May 23rd

Mr. Countryman: No, Your Honor, that was served just two days ago, I believe. Here is an extra copy of it. Since those cases were consolidated, both files are not completed with this.

The Court: Well, there was a notice of trial amendment on May 22nd. Oh, this is an "Amended Notice of Trial Amendment"?

Mr. Countryman: You have not seen that before.

The Court: It wasn't filed, was it?

Mr. Countryman: Yes, it was filed.

The Court: Probably filed but I don't know whether it was in the file.

Mr. Countryman: All right. As to the defendants Walter C. Brulotte and Jane Doe Brulotte, we move to amend our answer as follows: In answer to Paragraph 6—

The Court: Oh, I beg your pardon, it is in the file.

Mr. Countryman: "In answer to paragraph 6 of plaintiff's complaint, defendants Walter C. Brulotte and Jane Doe Brulotte, his wife, admit that hops have been harvested with the said machine from the period of 1953 through 1958. No hops have been harvested with said machine since the harvest of 1958. Defendants admit that no royalty payments have been made by defendants to plaintiff during 1953, or at any time since. Defendants deny

that any amount whatsoever is payable as Washington State Sales Tax or otherwise by defendants to plaintiff.

Defendants Walter C. Brulotte and Jane Doe Brulotte, his wife and defendants Raymond Charvet and Jane Doe Charvet, his wife, plead further as follows:

Pleading further and by way of a fourth affirmative defense, defendants allege:

1.

At the time of entering into the contracts between the plaintiff and defendants herein, plaintiff represented to defendants that there were twelve (12) patents incorporated into the portable hop-picking machines and in order to use said hop-picking machines after purchasing them it would be necessary for these defendants to obtain a license to use said hop-picking machines. In truth and in fact, only seven (7) out of the said twelve (12) patents were incorporated into the said hop-picking machines, and plaintiff at all times knew that such was the situation. Said plaintiff further represented to these defendants that the use of said machines was protected by his patents until the expiration of the term of the proposed contract between the parties hereto, whereas in truth and in fact the latest of said patents actually incorporated into the said hop-picking machines expired in 1957. Such fact was known by plaintiff. All of said representations were made with the intention of plaintiff to induce defendants to enter into the said contracts for a consideration in excess of a reasonable consideration for the use of patents actually incorporated into the said machine, and for a term in excess of the patent monopoly on said patents plaintiff believed itself to be entitled to at that time. These defendants, with the right to do so, did in fact rely upon the said false representations, there being no contrary information available or readily available. These defendants subsequently learned that the representations made by plaintiff were in

fact untrue. Said representations were further made by plaintiff to extend its patent monopoly beyond the scope of the privilege awarded to it under the patent laws of the United States and contrary to the anti-trust laws of the United States. That defendants have no liability to plaintiff under the alleged contracts by reason of the fraudulent representations and actions of plaintiff.

Pleading further and by way of a fifth affirmative defense, defendants allege:

1.

The under the alleged contracts, plaintiff attempted to restrict the use of the hop-picking machines involved, after sale of the machines. That such attempt is against public policy, unlawful and renders said alleged contracts void and unenforceable.

Pleading further and by way of a sixth affirmative defense, defendants allege:

1.

The contracts involved in these actions are part of a concerted scheme and effort by plaintiff to unlawfully extend the patent rights beyond the term granted plaintiff under the patent laws of the United States, thereby creating an unlawful monopoly; that by reason thereof these contracts are void, against public policy and not enforceable.

Mr. Countryman: Your Honor, so far as not to intentionally delay these proceedings, the defendants Raymond Charvet and Jane Doe Charvet, his wife, move to incorporate in their answer the additional defenses just read on behalf of the defendants Brulotte.

Mr. Hutcheson: If Your Honor please, the plaintiff objects to the proposed amendments as not timely. The case has been pending for about one year, and it seems to

me that these are rather important issues to be raised right at the moment, and secondly, if these proposed amendments are allowed, I would like to know what is meant in the fourth and fifth defenses when they say the plaintiff represents, and I would like to know who it is if they are claiming an alleged misrepresentation. I would like to know who it is. I don't know whether the witness would be available and it seems to me that these proposed amendments are not timely at this time.

Mr. Countryman: Your Honor, as Your Honor knows, a patent case finds its way into our office very seldom and until a short time ago there were attempts to settle this action and all efforts bogged down. The additional defenses raised do not raise questions of fact and they are very exclusively questions of law and involve interpretation of the contract which I am sure will go into evidence. As far as wondering who made representations in our defenses, I can stipulate that the only representations that we rely on are those indicated in our trial memorandum and authorities and the actual representations made in the contract itself, and so we won't be bringing in any agent of the plaintiff to testify as to any representations other than those set forth in the contract. And so while actually it may be at first blush a late time to move forward and set forth defenses it will actually give the Court more information of the matters set forth in our memorandum and I fail to see that the plaintiff will be prejudiced by the allowance of these amendments.

The Court: Do you have anything to say, Mr. Hutcheson, in regard to that?

Mr. Hutcheson: Nothing further, Your Honor.

The Court: Well, of course, I wouldn't allow a trial amendment at this late date if it is going to prejudice going ahead with the case or you in your preparation of the case. In other words, if you have some witness or

some evidence you haven't had time to get by virtue of this trial amendment, I certainly wouldn't ask that you go ahead with the trial of the case.

Mr. Hutcheson: In view of counsel's statement, I don't believe that is entirely true, but I think that we can go ahead with the case. With reference to the time, some of the books were out of the library that I haven't seen yet and would like to review.

The Court: Well, I will allow the trial amendment and give you time to answer any of the points brought up by the trial amendment and brought up by the defendants' brief that you have not had a chance to cover.

Mr. Hutcheson: I assume that the affirmative defenses are deemed denied, because we do deny them.

The Court: Well, they are deemed denied under the Federal Rules anyway.

Mr. Hutcheson: I will call Mr. Walter Brulotte.

Mr. Countryman: May I, state, Counsel, that Mr. Brulotte is slightly hard of hearing and you must speak up.

• • • • •

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR YAKIMA COUNTY

No. 43538

THYS COMPANY, a corporation, *Plaintiff,*

vs.

WALTER C. BRULOTTE, and CECILIA BRULOTTE, his wife,
Defendants.

No. 43602

THYS COMPANY, a corporation, *Plaintiff,*

vs.

RAYMOND CHARVET and BLANCHE CHARVET, his wife,
Defendants.

Findings of Fact and Conclusions of Law

These two consolidated causes having heretofore duly come on for trial together before the undersigned judge of the above entitled court sitting without a jury, and the plaintiff being present by its president and by its attorneys Cheney & Hutcheson, and the defendants being present in person and by their attorneys, Velikanje & Moore and Charles C. Countryman, and the court having heard the evidence and the arguments of counsel and being duly advised in the premises, and the court having heretofore filed its written memorandum opinion herein and having heretofore denied the defendants' motion for reconsideration and motion for new trial;

Now, THEREFORE, the court does hereby make the following

FINDINGS OF FACT

1.

That at all times herein mentioned, plaintiff herein, Thys Company, was, and now is, a corporation duly

organized and existing pursuant to the laws of the State of California, and that it has paid all license fees due to the State of Washington.

2.

That at all times herein mentioned the defendants Walter C. Brulotte and Cecilia Brulotte were and now are husband and wife and as such constitute a marital community and reside in Yakima County, Washington. That at all times herein mentioned, the defendants Raymond Charvet and Blanche Charvet were and now are, husband and wife and as such constitute a marital community and reside in Yakima County, Washington.

3.

That on August 10, 1948, for valuable consideration the plaintiff and the defendant Walter C. Brulotte for and on behalf of said marital community entered into a written contract whereby said defendants purchased one certain Thys portable hop picking machine No. 44-L-59, and the plaintiff, as the licensee and holder of certain United States patent rights thereon, granted a license to said defendants for the use of said patented hop picking machine, and said defendants promised and agreed to pay to the plaintiff an annual royalty from the date thereof until the completion of the 1958 hop harvest at the rate of \$3.33 $\frac{1}{3}$ per bale of 200 pounds of dried hops harvested by said picking machine, with an annual minimum royalty of not less than \$500.00 plus tax per year. A copy of said contract was admitted in evidence as plaintiff's Exhibit No. 1 herein and the same is incorporated by reference herein. At all times subsequent thereto said hop picking machine has been in the possession and control of said defendants.

4.

That on or about the 31st day of January, 1951, for valuable consideration, the plaintiff and the defendant

Raymond Charvet, for and on behalf of said marital community entered into a written contract whereby said defendants purchased one certain Thys portable hop picking machine No. 44-L-132, and the plaintiff, as the Licensee and hold of certain United States patent rights thereon, granted a license to said defendants for the use of said patented hop picking machine, and said defendants promised and agreed to pay to the plaintiff an annual royalty from the date thereof until the completion of the 1960 hop harvest at the rate of \$3.33 $\frac{1}{3}$ per bale of 200 pounds of dried hops harvested by said picking machine, with an annual minimum royalty of not less than \$500.00 plus tax per year. A copy of said contract was admitted in evidence as plaintiff's Exhibit No. 3 and the same is incorporated by reference herein. At all times subsequent thereto said hop picking machine has been in the possession and control of said defendants.

5.

That repeated demands have been made by the plaintiff upon both the defendants Brulotte and Charvet for the payment of hop picking machine royalties pursuant to said written contracts, but no payment whatever has been made by either of said defendants for any year subsequent to 1952, and prior to the trial of these actions said defendants failed to furnish the plaintiff with any information as to the quantity of hops picked with said picking machines or either of them, and the plaintiff had no knowledge or information with reference thereto. Under state law as construed by the supreme court there was also payable by the defendants a state sales tax in the sum of 4 per cent of said royalties payable annually. Under said agreements there was a minimum annual royalty in the sum of at least \$520.00, including said state sales tax. Plaintiff has duly performed all of the terms and conditions of said contract by it to be performed.

6.

Said Charvet's hop picking machine has not been used or operated since 1952. The defendants Charvet are therefore liable for said annual minimum royalty in the sum of \$520.00 per year including said state sales tax, which became due and payable on October 15th of each year under said contract commencing October 15, 1953, for each year to and including 1959.

7.

The defendants have failed to sustain the burden of proof as to each and all of the affirmative defenses herein. Each of these actions was commenced prior to October 15, 1959. Neither of the parties herein ever gave the other any oral or written notice of termination or cancellation of said license-royalty contracts or either of them; and the plaintiff never elected to terminate said contracts by reason of any default on the part of the defendants. It is admitted in the pleadings that seven and only seven of the twelve of the plaintiff's patents listed by number in said contracts were incorporated into the defendants' hop picking machines, and all of those patents expired on or before 1957. Of the patents pending at the time the agreements were entered into one patent (Exhibit 22) was pending when both defendants' contracts were entered into and said patent does not expire until 1969. One patent (Exhibit 23) was pending as to Brulotte but not as to Charvet and is as yet unexpired; and one patent, (Exhibit 25) was pending as to Charvet but not as to Brulotte and is as yet unexpired. Three patents were declared invalid by lower federal courts, namely Exhibit 6, a method patent, Exhibit 15 which was never incorporated into defendants' portable hop picking machines, and Exhibit 23 which was not listed by number in these contracts and was subsequently issued and was a patent pending as to Brulotte but not as to Charvet. There has been no disturbance or interference

with the defendants' continued possession and use or right of use of said hop picking machines, and the defendants have not been evicted in the enjoyment of their privileged use of said hop picking machines under said non-exclusive license contracts, and there has been no eviction or failure of consideration with reference thereto. Plaintiff has not been guilty of any fraud or misrepresentation to the defendants with reference thereto. Said contracts (Exhibits 1 and 3) were form contracts and covered said portable hop picking machines and were uniform with other contracts used by the plaintiff whether they were three-party or two-party contracts. The plaintiff was not guilty of any misuse of its patent rights.

8.

Each of said contracts provides that defendants agree to pay plaintiff's reasonable attorneys' fees in any court litigation. That the sum of \$1,500.00 is a reasonable sum to be allowed the plaintiff herein as attorneys' fees in the Brulotte case. That the sum of \$1,500.00 is a reasonable sum to be allowed the plaintiff herein as attorneys' fees in the Charyet case.

FROM THE FOREGOING Findings of Fact the court now makes the following

CONCLUSIONS OF LAW

1.

That under the law and the evidence there is no merit in any of the defendants' affirmative defenses herein. These actions are not barred by the statute of limitations. Said contracts were not terminated by the defaults of the defendants. The defendants have not been evicted in the enjoyment of their privileged use of said hop picking machines, and there has been no eviction or failure of consideration. There has been no fraudulent misrepresentation

with reference thereto on the part of the plaintiff, There was no failure on the part of the plaintiff to comply with the terms of said contracts. Said royalty contracts are not void, against public policy, or unenforceable, either because of attempted unlawful restrictions in the use of the machines after sale, or because of misuse of patent rights by the plaintiff or otherwise. There has been no misuse of its patent rights by the plaintiff, and the plaintiff has not come into court herein with unclean hands.

2.

That the plaintiff is entitled to have entered in the Brulotte case an order requiring the defendants therein to promptly make and furnish an accounting with reference to the quantity of hops picked during said period with said hop picking machine and the amount of royalties due and payable therefor: and thereafter that judgment and decree be entered in said Brulotte case herein accordingly in favor of the plaintiff and against the defendants therein.

3.

That by reason of the fact that the testimony heretofore shows without dispute the facts hereinabove stated in paragraph 6 of the findings of fact with reference to the use of the Charvet machine, a further accounting with reference to the extent of use of the Charvet machine would be useless and unnecessary.

4.

That the plaintiff is entitled to have and recover judgment against the defendants in the Charvet case for the said minimum agreed royalty including state sales tax, irrespective of the use or non-use of said machine, in the sum of \$520.00 per year for each of said years from 1953 to and including 1959 to-wit the total principal sum of \$3,640.00 together with interest thereon at 6 per cent per

annum from October 15th of each of said years commencing October 15, 1953 upon each of said annual royalty payments, said interest to this date being the total sum of \$1,092.00, or a total amount of principal and interest as of this date in the sum of \$4,732.00 together with interest thereon at 6 per cent per annum from October 15, 1961 until paid and together with plaintiff's reasonable attorney's fees in said case in the sum of \$1,500.00 and together with plaintiff's costs and disbursements incurred in the Charvet case hereinafter to be taxed.

DONE IN OPEN COURT this 6th day of October, 1961.

Judge

Presented by:

CHENEY & HUTCHESON

By ELWOOD HUTCHESON

Attorneys for Plaintiff

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR YAKIMA COUNTY

No. 43538

THYS COMPANY, a corporation, *Plaintiff,*

v.

WALTER C. BRULOTTE and CECILIA BRULOTTE, his wife,
Defendants.

Judgment

THIS CAUSE having heretofore duly come on for trial before the undersigned judge of the above entitled court sitting without a jury, and the plaintiff being present by its president and by its attorneys, Cheney & Hutcheson, and the defendants being present in person and by their

attorneys, Velikanje & Moore and Charles C. Countryman, and the court having heard the evidence and the arguments of counsel and being duly advised in the premises, and the court having heretofore filed its written memorandum opinion herein and having heretofore denied the defendants' motion for reconsideration and motion for a new trial; and the court having heretofore entered its interlocutory order of accounting herein and the defendant having thereafter filed his affidavit pursuant thereto and the same having been accepted by the plaintiff without the necessity of a further accounting hearing herein, and the court having heretofore duly made and entered its supplemental findings of fact and conclusions of law:

NOW THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the plaintiff herein Thys Company, a corporation, does hereby have and recover judgment against the defendant Walter C. Brulotte and the marital community composed of Walter C. Brulotte and Cecelia Brulotte, husband and wife, in the sum of \$1,005.34 together with interest thereon at 6 per cent per annum from October 15, 1953 until paid, plus \$1,074.66 together with interest thereon at 6 per cent per annum from October 15, 1954 until paid, plus \$658.66 together with interest thereon at 6 per cent per annum from October 15, 1955 until paid, plus \$710.66 together with interest thereon at 6 per cent per annum from October 15, 1956 until paid, plus \$520.00 together with interest thereon at 6 per cent per annum from October 15, 1957 until paid, plus \$520.00 together with interest thereon at 6 per cent per annum from October 15, 1958 until paid; each of said principal amounts including 4 per cent state sales tax; or the total principal sum of \$4,489.32 plus total interest in the sum of \$1,602.64 computed to October 15, 1961, or the total sum of \$6,091.96, together with interest on said last mention sum at 6 per cent per annum from October 15, 1961 until paid, and together with plaintiff's reasonable attorneys' fees in this

action in the sum of \$1,500.00 and together with plaintiff's costs and disbursements herein to be taxed.

DONE IN OPEN COURT this 20th day of October, 1961.

s/ LLOYD L. WIEHL
Judge

Presented by:

CHENEY & HUTCHESON

By s/ ELWOOD HUTCHESON
Attorneys for Plaintiff

OK As to Form:

s/ CHARLES C. COUNTRYMAN
Counsel for Defendants

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR YAKIMA COUNTY

No. 43602

THYS COMPANY, a corporation, Plaintiff,

vs.

RAYMOND CHARVET and BLANCHE CHARVET, his wife,
Defendants.

Judgment

This cause having heretofore duly come on for trial before the undersigned judge of the above entitled court sitting without a jury, and the plaintiff being present by its president and by its attorneys Cheney & Hutcheson, and the defendants being present in person and by their attorneys Velikanje & Moore and Charles C. Countryman and the court having heard the evidence and the arguments of counsel and being duly advised in the premises, and the court, having heretofore filed its written memorandum

opinion herein and having heretofore denied the defendants' motion for reconsideration and motion for new trial, and the court having heretofore duly made and entered its findings of fact and conclusions of law;

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the plaintiff herein Thys Company, a corporation, does hereby have and recover judgment against the defendant Raymond Charvet and the marital community composed of Raymond Charvet and Blanche Charvet, husband and wife, in the total principal amount of \$3,640.00 together with accrued interest thereon to this date in the total sum of \$1,092.00 or the total amount of principal and interest in the sum of \$4,732.00, together with interest thereon at 6 per cent per annum from October 15, 1961 until paid and together with plaintiff's reasonable attorneys' fees in the sum of \$1,500.00 and together with plaintiff's costs and disbursements herein to be taxed.

DONE IN OPEN COURT this 6th day of October, 1961.

/s/ LLOYD L. WIEHL
Judge

Presented by:

CHENEY & HUTCHESON

By /s/ ELWOOD HUTCHESON

Attorneys for Plaintiff

APPENDIX B

§ 1. *Trusts, etc., in restraint of trade illegal; exception of resale price agreements; penalty*

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal: *Provided*, That nothing contained in sections 1-7 of this title shall render illegal, contracts or agreements prescribing minimum prices for the resale of a commodity which bears, or the label or container of which bears, the trademark, brand, or name of the producer or distributor of such commodity and which is in free and open competition with commodities of the same general class produced or distributed by others, when contracts or agreements of that description are lawful as applied to intrastate transactions, under any statute, law, or public policy now or hereafter in effect in any State, Territory, or the District of Columbia in which such resale is to be made, or to which the commodity is to be transported for such resale, and the making of such contracts or agreements shall not be an unfair method of competition under section 45 of this title: *Provided further*, That the preceding proviso shall not make lawful any contract or agreement, providing for the establishment or maintenance of minimum resale prices on any commodity herein involved, between manufacturers, or between producers, or between wholesalers, or between brokers, or between factors, or between retailers, or between persons, firms, or corporations in competition with each other. Every person who shall make any contract or engage in any combination or conspiracy declared by sections 1-7 of this title to be illegal shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. July 2, 1890, c. 647, § 1, 26 Stat. 209; Aug. 17, 1937,

c. 690, Title VIII, 50 Stat. 693; July 7, 1955, c. 281, 69 Stat. 282.

• • • • •
 § 2. *Monopolizing trade a misdemeanor; penalty*

Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding fifty thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. July 2, 1890, c. 647, § 2, 26 Stat. 209; July 7, 1955, c. 281, 69 Stat. 282.

• • • • •
 § 154. *Contents and term of patent*

Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, of the right to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof. July 19, 1952, c. 950, § 1, 66 Stat. 804.

APPENDIX C**Agreement**

THIS AGREEMENT, Made this 31st day of January, 1951, by and between THYS COMPANY, a Corporation, hereinafter referred to as First Party, and Raymond Charvet, of Grandview, Washington, hereinafter referred to as Second Party and Oliver Champoux, of Route 1, Toppenish, Wash., hereinafter referred to as Third Party,

WITNESSETH:

WHEREAS, First Party is the licensee of E. Clemens Horst Co., a New Jersey Corporation, of San Francisco, California, under certain United States Letters Patent relating to the art of hop picking and separating machines of both portable and stationary types, hereinafter referred to as hop picking machines or as machines, and under certain United States Letters Patent for improved methods of maintenance of said machines; and

WHEREAS, First Party is willing to license Second Party to use said machines and to practice the methods and processes disclosed and claimed in the Letter Patent hereinafter listed and related thereto, but upon the terms and conditions hereinafter set forth; and

WHEREAS, Second Party is willing to buy certain of said machines from Third Party and to be licensed by First Party to use said machines and to practice the methods and processes disclosed and claimed in the letters Patent hereinafter listed and related thereto, and upon the terms and conditions hereinafter set forth;

Now, THEREFORE, in consideration of the purchase price specified in Paragraph 2 hereof to be paid by Second Party to Third Party, and in consideration of the covenants and agreements herein contained, and for other good, adequate and valuable consideration between the parties moving,

It Is AGREED as follows:

1. Third Party hereby sells to Second Party and Second Party buys from Third Party, one (1) Portable Hop Picking machine(s) identified by First Party's serial number(s) as follows: 44-L-132, said machine(s) to be delivered by Third Party to Second Party on or before January 31, 1951.

2. Second Party hereby pays to Third Party as purchase price of said machine(s) the sum of Thirty-Three Hundred dollars (\$3300.00) and Third Party acknowledges receipt of said sum of Thirty Three Hundred dollars (\$3300.00).

3. Second Party shall pay to the order of Third Party, on delivery of said machine(s), in addition to the final installment of the purchase price, the sum of all sales, excise or other taxes levied on the manufacture, sale, delivery and licensing of said machine(s).

4. Second Party shall execute and deliver to First Party to secure the payment of royalty as provided in Paragraph 8 hereof a chattel mortgage in substantially the form submitted herewith as Exhibit "A" or, in lieu thereof, such other security as First Party shall accept. First Party shall not unreasonably decline to accept such other security if, in the fair and reasonable judgment of First Party, such other security adequately and fully secures the payment of reasonably anticipated royalty payable as provided in Paragraph 8. Chattel mortgage or other acceptable security as above to be given annually by Second Party when requested by First Party. Provisions of this paragraph 4, shall be enforced only in the event that Second Party has defaulted in his obligations under the present agreement.

5. Title to said machine(s) shall vest in Second Party on delivery of said machine(s) to Second Party by Third Party, but the vesting of title to said machine(s) in Second Party shall not license Second Party to use said machine(s) and to practice the methods and processes disclosed and

claimed in Letters Patent hereinafter listed and related thereto.

6. It is expressly understood that the sale and/or delivery of said machine(s) is without the right to use said machine(s) and/or the methods and processes disclosed and claimed in the Letters Patent listed hereinafter, and that in order to use said machine(s) and or said methods and processes Second Party must secure from First Party a license to use said machine(s) and/or said methods and processes, and that the continuing right to use said machine(s) and/or said methods and processes is strictly conditioned upon the full and faithful performance of such license;

WHEREFORE, First Party hereby grants to Second Party a non-exclusive, indivisible and non-transferable license, as long as the terms hereof be fully and faithfully performed and maintained, to use said machine(s), for the purpose of which said machine(s) was/were designed and said methods and processes as disclosed in the following Letters Patent:

<i>U. S. Patent Number</i>	<i>Date of Issue</i>	<i>Invention</i>
2,114,712	April 19, 1938	Method of Keeping the Fingers of Hop Picking Machines Clean.
2,114,727	April 19, 1938	Hop Picking Machine
2,116,006	May 3, 1938	Hop and Stem Separator
2,138,529	November 20, 1938	Hop Separator
2,139,029	December 6, 1938	Hop Picking Machine
2,139,046	December 6, 1938	Hop Separator
2,187,526	January 16, 1940	Hop Picking Machine
2,191,183	February 20, 1940	Finger Structure and Supporting Bar for Hop Picking Machine
2,193,354	March 12, 1940	Vine Grasper Bar
2,211,357	August 13, 1940	Hop Picking Machine
2,226,009	December 24, 1940	Hop Separator
2,336,280	December 7, 1943	Hop Cluster Stemmer

Other Patents Pending.

7. The term of the license granted to Second Party by First Party, as provided in Paragraph 6 hereof, shall be from date first above written until completion of the 1960 harvest, irrespective of the date of expiration of any of the Letters Patent hereinbefore listed.

8. For and in consideration of the license, set forth in Paragraph 6 hereinabove, Second Party agrees to pay to First Party a royalty of Three Dollars and Thirty-Three and One-Third Cents ($\$3.33\frac{1}{3}$) per two hundred (200) pounds of dried hops harvested by machines purchased by Second Party, said royalty being payable when the amount of bales picked is determined on or before the 15th day of October of each year during the term hereof, for all hops harvested during the preceding twelve (12) calendar months. In any event the minimum royalty payable hereunder shall be Five Hundred Dollars (\$500) per machine per annum, and if the royalties computed at the rate of Three Dollars and Thirty-Three and One-Third Cents ($\$3.33\frac{1}{3}$) per two hundred (200) pounds of hops harvested shall not aggregate as much as Five Hundred Dollars (\$500) for each machine in each period of twelve (12) calendar months herein referred to, said sum of Five Hundred Dollars (\$500) per machine shall nevertheless be paid to First Party by the following October 15th and any royalties paid on any machine in excess of Five Hundred Dollars (\$500) per annum shall not apply against or reduce the minimum royalties payable on any other machines; provided, that if it shall be impossible, in the fair and reasonable judgment of Party of the First Part to use any such machine during any part of a particular picking season because of a serious breakdown or breakdowns of a machine, occurring notwithstanding the exercise of reasonable care on the part of the user or users thereof, an equitable adjustment shall be made of the amount of minimum royalty payable on such machines for such picking season, based upon the number of days during which such machine cannot be used bears to the total number of days in the

normal picking season. Second Party agrees that any royalties payable by Second Party may be collected from any source or through any company by the giving of orders to pay if this method is desired by First Party.

9. Second Party will deliver to First Party on or before October 15th of each year during the term hereof, statements in such reasonable details as First Party may request, showing the amount of royalties payable on each machine licensed hereunder and the manner in which such amount was computed. First Party and its agents shall have free access at all times to said machine(s) wherever situated or operated for the purpose of inspecting and observing the operation thereof and determining the amount of hops harvested thereby, and First Party and its agents shall have the right to examine the records of Second Party insofar as may be necessary for the purpose of determining the amount of royalty property payable hereunder. Second Party shall make and preserve proper records showing the amount of hops harvested by means of each of such machines(s).

10. Second Party will use coir yarn or other twine satisfactory to First Party in the operation of said machine(s), but in any event the royalties provided in Paragraph 8 hereof shall be payable whether or not coir yarn be used and whether or not the methods and processes disclosed and claimed in said Patent No. 2,114,712 be made use of.

11. Second Party concedes the validity of all Letters Patent licensed herein, and further agrees that it will not contest, directly or indirectly, the validity of any herein licensed patent, so long as this agreement remains in full force and effect.

12. First Party agrees to furnish at Sacramento, California, the place of manufacture of said machines, or at such other place at which said machines may hereafter be manufactured, if First Party shall at the time have the same in stock, such replacement parts as may be necessary for

making repairs to said machines, and Second Party shall pay or cause to be paid for all such replacement parts furnished by First Party a reasonable price together with all transportation charges and expenses of installation.

13. Second Party shall keep said machine(s) in a good state of repair and shall promptly renew and replace all broken or worn-out parts.

14. Second Party shall pay, prior to delinquency, all taxes on said machine(s) and shall maintain or cause to be maintained Insurance against loss of or damage to said machine(s) by fire, theft and collision in amounts equal to their full insurable value in insurance companies and under policies satisfactory to First Party, and shall, from time to time, give to First Party such information as First Party may reasonably request concerning such insurance and the payment of premiums thereon.

15. In case of any default in the performance of the covenants contained in Paragraphs 12, 13 and 14 hereof, First Party may perform the same and advance all sums necessary for that purpose, repayment of which shall be secured by the chattel mortgages referred in to Paragraph 4 hereof, but such action on the part of the First Party shall not relieve Second Party from the consequences of any such default.

16. Second Party shall keep or cause to be kept on said machines in plain view at all times any and all plates and stencils or other markings placed thereon by First Party.

17. First Party shall not be liable for any loss of or damage to said machine(s) nor for any injury to persons or damage to property resulting in any manner from the use or operation thereof, and Second Party shall hold First Party harmless from any claim of any kind referred to in this paragraph.

18. It is agreed that no representations or warranties, express or implied, are or have been made by First Party

or any of its agents concerning said machine(s) or the use or operation thereof.

19. First Party shall be under no liability or obligation for any failure or delay in the performance of any terms, covenants or conditions of this agreement on its part to be performed if such failure or delay shall result, in whole or in part, from fire, strike, riot, interruption of the usual means of transportation, failure of First Party's sources of supply or materials, war, act of God, or other elements, or any other cause beyond the control of First Party whether similar or dissimilar to those hereinbefore specified.

20. Second Party shall not assign this agreement nor any interest therein, and shall not permit said machine(s) to become subject to any lien or encumbrance other than the liens for current taxes, nor permit said machine(s) to be removed from Yakima County, State of Washington, nor permit said machine(s) to be seized or levied upon by process of law, without the prior written consent of First Party. First Party shall not unreasonably withhold such consent.

21. This agreement or any extension or continuation shall inure to the benefit of and shall be binding upon the successors, heirs, executors, administrators and assigns of the parties hereto, subject, however, to the provisions of Paragraph 20 hereof.

22. No waiver of or failure to enforce any of the provisions of this agreement nor any extension of time or partial payment of any amount due hereunder before or after delinquency shall operate to extend the time on the payment of the balance of such amount nor be considered as a waiver of the strict performance of this agreement on all subsequent payments and in every other particular.

23. The venue of any action commenced by First Party to enforce the provisions of this agreement or of any chat-

tel mortgage given pursuant hereto may, at the option of First Party, be laid in Yakima County, Washington, or Sacramento County, California, and in addition to taxable costs as provided by law, First Party shall be entitled to recover a reasonable sum as attorney's fees in such action.

24. Time is of the essence of this agreement, and each and every provision thereof except as expressly otherwise herein provided.

25. Upon prompt payment in full of Royalties due hereunder within time prescribed in Paragraph 8 above and provided Second Party is not in default in its faithful performance of this agreement and of all its covenants, First Party will allow a discount of 10% of such Royalty; but this provision shall not operate to reduce the minimum Royalty required of Second Party as provided in said Paragraph 8.

26. All remedies herein provided for are cumulative and not exclusive of any other remedies provided herein or by law.

27. The terms of this instrument comprise the entire agreement between the parties hereto, and no variation from the same shall be valid unless made in writing between said parties.

28. Any notice, report or other communication required or permitted to be given the First Party hereunder shall be given in writing by United States registered mail addressed to First Party at 6900 Folsom Boulevard, Sacramento, California, or such other address as First Party may designate by notice in writing to Second Party, and any such notice, report or other communication required or permitted to be given to Second Party may be mailed to Second Party in the same manner at Grandview, Washington, or such other address as may be designated in writing by Second Party to First Party.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in duplicate the day and year first above written.

THYS COMPANY

illegible

First Party

RAYMOND CHARVET

Second Party

OLIVER CHAMPOUX

Third Party

(SEAL)

STATE OF WASHINGTON }
County of Yakima } ss

On this 31st day of January, 1961, personally appeared before me Raymond Charvet and Oliver Champoux, to me known to be the individuals described in and who executed the foregoing instrument, and acknowledged to me that they signed and sealed same as their free and voluntary act and deed for the uses and purposes therein mentioned.

WITNESS my hand and official seal this 31st day of January, 1961.

ELWOOD HUTCHESON

*Notary Public for the State of
Washington residing at
Yakima.*

(SEAL)

Defendant's Exhibit "A"**Agreement**

THIS AGREEMENT, Made this 10th day of August, 1948, by and between THYS COMPANY, a Corporation, hereinafter referred to as First Party, and Walter Brulotte, of Moxee, Washington, hereinafter referred to as Second Party and Yakima Chief Ranches Inc., of Mabton, Washington, hereinafter referred to as Third Party.

WITNESSETH:

WHEREAS, First Party is the licensee of E. Clemens Horst Co., a New Jersey Corporation, of San Francisco, California, under certain United States Letters Patent relating to the art of hop picking and separating machines of both portable and stationary types, hereinafter referred to as hop picking machines or as machines, and under certain United States Letters Patent for improved methods of maintenance of said machines; and

WHEREAS, First Party is willing to license Second Party to use said machines and to practice the methods and processes disclosed and claimed in the Letter Patent hereinafter listed and related thereto, but upon the terms and conditions hereinafter set forth; and

WHEREAS, Second Party is willing to buy certain of said machines from Third Party and to be licensed by First Party to use said machines and to practice the methods and processes disclosed and claimed in the letters Patent hereinafter listed and related thereto, and upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the purchase price specified in Paragraph 2 hereof to be paid by Second Party to Third Party, and in consideration of the covenants and agreements herein contained, and for other good, adequate and valuable consideration between the parties moving,

It Is AGREED as follows:

1. Third Party hereby sells to Second Party and Second Party buys from Third Party, two (2) Portable Hop Picking machine(s) identified by First Party's serial number(s) as follows: 44-L-55 and 44-L-59, said machine(s) to be delivered by Third Party to Second Party on or before August 10, 1948.

2. Second Party hereby pays to Third Party as purchase price of said machine(s) the sum of Sixty two hundred and no/100 dollars (\$6,200.00) and Third Party acknowledges receipt of said sum of Sixty two hundred and no/100 dollars (\$6,200.00).

3. Second Party shall pay to the order of Third Party, on delivery of said machine(s), in addition to the final installment of the purchase price, the sum of all sales, excise or other taxes levied on the manufacture, sale, delivery and licensing of said machine(s).

4. Second Party shall execute and deliver to First Party to secure the payment of royalty as provided in Paragraph 8 hereof a chattel mortgage in substantially the form submitted herewith as Exhibit "A" or, in lieu thereof, such other security as First Party shall accept. First Party shall not unreasonably decline to accept such other security if, in the fair and reasonable judgment of First Party, such other security adequately and fully secures the payment of reasonably anticipated royalty payable as provided in Paragraph 8. Chattel mortgage or other acceptable security as above to be given annually by Second Party when requested by First Party. Provisions of this paragraph 4, shall be enforced only in the event that Second Party has defaulted in his obligations under the present agreement.

5. Title to said machine(s) shall vest in Second Party on delivery of said machine(s) to Second Party by Third Party, but the vesting of title to said machine(s) in Second Party shall not license Second Party to use said machine(s)

and to practice the methods and processes disclosed and claimed in Letters Patent hereinafter listed and related thereto.

6. It is expressly understood that the sale and/or delivery of said machine(s) is without the right to use said machine(s) and/or the methods and processes disclosed and claimed in the Letters Patent listed hereinafter, and that in order to use said machine(s) and or said methods and processes Second Party must secure from First Party a license to use said machine(s) and/or said methods and processes, and that the continuing right to use said machine(s) and/or said methods and processes is strictly conditioned upon the full and faithful performance of such license;

WHEREFORE, First Party hereby grants to Second Party a non-exclusive, indivisible and non-transferable license, as long as the terms hereof be fully and faithfully performed and maintained, to use said machine(s), for the purpose of which said machine(s) was/were designed and said methods and processes as disclosed in the following Letters Patent:

<i>U. S. Patent Number</i>	<i>Date of Issue</i>	<i>Invention</i>
2,114,712	April 19, 1938	Method of Keeping the Fingers of Hop Picking Machines Clean
2,114,727	April 19, 1938	Hop Picking Machine
2,116,006	May 3, 1938	Hop and Stem Separator
2,138,529	November 20, 1938	Hop Separator
2,139,029	December 6, 1938	Hop Picking Machine
2,139,046	December 6, 1938	Hop Separator
2,187,526	January 16, 1940	Hop Picking Machine
2,191,183	February 20, 1940	Finger Structure and Supporting Bar for Hop Picking Machine
2,193,354	March 12, 1940	Vine Grasper Bar
2,211,357	August 13, 1940	Hop Picking Machine
2,226,009	December 24, 1940	Hop Separator
2,336,280	December 7, 1943	Hop Cluster Stemmer

Other Patents Pending.

7. The term of the license granted to Second Party by First Party, as provided in Paragraph 6 hereof, shall be from date first above written until the completion of the 1960 harvest irrespective of the date of expiration of any of the Letters Patent hereinbefore listed.

8. For and in consideration of the license, set forth in Paragraph 6 hereinabove, Second Party agrees to pay to First Party a royalty of Three Dollars and Thirty-Three and One-Third Cents ($\$3.33\frac{1}{3}$) per two hundred (200) pounds of dried hops harvested by machines purchased by Second Party, said royalty being payable when the amount of bales picked is determined on or before the 15th day of October of each year during the term hereof, for all hops harvested during the preceding twelve (12) calendar months. In any event the minimum royalty payable hereunder shall be Five Hundred Dollars (\$500) per machine per annum, and if the royalties computed at the rate of Three Dollars and Thirty-Three and One-Third Cents ($\$3.33\frac{1}{3}$) per two hundred (200) pounds of hops harvested shall not aggregate as much as Five Hundred Dollars (\$500) for each machine in each period of twelve (12) calendar months herein referred to, said sum of Five Hundred Dollars (\$500) per machine shall nevertheless be paid to First Party by the following October 15th and any royalties paid on any machine in excess of Five Hundred Dollars (\$500) per annum shall not apply against or reduce the minimum royalties payable on any other machines; provided, that if it shall be impossible, in the fair and reasonable judgment of Party of the First Part to use any such machine during any part of a particular picking season because of a serious breakdown or breakdowns of a machine, occurring notwithstanding the exercise of reasonable care on the part of the user or users thereof, an equitable adjustment shall be made of the amount of minimum royalty payable on such machines for such picking season, based upon the number of days during which such machine cannot be used bears to the total number of days in the

normal picking season. Second Party agrees that any royalties payable by Second Party may be collected from any source or through any company by the giving of orders to pay if this method is desired by First Party.

9. Second Party will deliver to First Party on or before October 15th of each year during the term hereof, statements in such reasonable details as First Party may request, showing the amount of royalties payable on each machine licensed hereunder and the manner in which such amount was computed. First Party and its agents shall have free access at all times to said machine(s) wherever situated or operated for the purpose of inspecting and observing the operation thereof and determining the amount of hops harvested thereby, and First Party and its agents shall have the right to examine the records of Second Party insofar as may be necessary for the purpose of determining the amount of royalty property payable hereunder. Second Party shall make and preserve proper records showing the amount of hops harvested by means of each of such machine(s).

10. Second Party will use coir yarn or other twine satisfactory to First Party in the operation of said machine(s), but in any event the royalties provided in Paragraph 8 hereof shall be payable whether or not coir yarn be used and whether or not the methods and processes disclosed and claimed in said Patent No. 2,114,712 be made use of.

11. Second Party concedes the validity of all Letters Patent licensed herein, and further agrees that it will not contest, directly or indirectly, the validity of any herein licensed patent, so long as this agreement remains in full force and effect.

28. Any notice, report or other communication required or permitted to be given the First Party hereunder shall be given in writing by United States registered mail addressed to First Party at 6900 Folsom Boulevard, Sacramento, California, or such other address as First Party

may designate by notice in writing to Second Party, and any such notice, report or other communication required or permitted to be given to Second Party may be mailed to Second Party in the same manner at Moxee, Washington, or such other address as may be designated in writing by Second Party to First Party.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in duplicate the day and year first above written.

THYS COMPANY

illegible

First Party

WALTER C. BRULOTTE

Second Party

YAKIMA CHIEF RANCHES INC.,

illegible

its President.

Third Party

STATE OF WASHINGTON }
County of Yakima } ss

On this 9 day of August, 1948, personally appeared before me Walter Brulotte, to me known to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he signed and sealed same as his free and voluntary act and deed for the uses and purposes therein mentioned.

WITNESS my hand and official seal this 9 day of August, 1948:

illegible

*Notary Public in and for the State of
Washington
Residing at Yakima*

Commission expires March 29, 1951

(SEAL)